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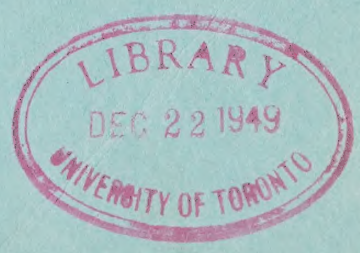
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ROYAL COMMISSION ON COAL
Toronto, Ont., August 13, 1945.
VOLUME XXXIII — XXXVI.

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ROYAL COMMISSION ON COAL

Toronto, Ont., August 13th, 1945.

VOLUME XXXIII

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ROYAL COMMISSION ON COAL

TORONTO, Ont., August 13th, 1945.

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THE ROYAL COMMISSION ON COAL resumed its Hearings at the City Hall, Toronto, Ontario, on Monday, August 13th, 1945, at 2:00 o'clock P.M.

PRESENT:

The Honorable Mr. Justice W. F. Carroll, Chairman.

The Honorable Mr. Justice C. C. McLaurin, Commissioner,

Mr. Angus J. Morrison, Commissioner.

Mr. J. J. Frawley, K. C., Commission Counsel.

Dr. R. D. Howland, Secretary.

BY MR. FRAWLEY - We will begin with a short submission on behalf of the Province of Ontario. Dr. Langford is here and will present it. Dr. Langford, you are the Director of the Department of Planning and Development of the Government of the Province of Ontario?

A. That is right.

Q. And have come before the Commission to make a submission for the Province?

A. Yes.

BY MR. FRAWLEY - Dr. Langford has handed me a document which certifies that he is the Director of the Department of Planning and Development for the Province of Ontario, signed by the Assistant to the Deputy Minister of the Provincial Secretary's Department.

Brief marked EXHIBIT 169

DR. GEORGE B. LANGFORD then reads Exhibit 169, as follows:-

"Ontario had no commercial deposits of coal. We probably have very little in the way of substitutes for coal. There are certain lignite deposits in Northern Ontario which have been under examination for some time. The report of the Legislative Committee which considered the possibilities of the development of lignite will be laid before the Commission. The attitude of this Province towards a Dominion coal policy must of necessity be from the standpoint of the consumer. As a consumer of a large quantity of coal Ontario has three basic requirements,-

1. Assurance of an adequate supply of good coal.

2. Assurance of an uninterrupted supply of good coal.
3. The cost of coal must be on a competitive basis between domestic and foreign producers.

It appears probable that following the war there will be keen competition for the Ontario market by producers of American, Welsh, Russian and other coals produced beyond the borders of Canada. There will also be competition for a share of the Ontario market from Nova Scotia and Alberta.

The Government of Ontario wishes to make reference here to the generous treatment accorded the people of this Province by the United States Government in the allotment of coal to meet the needs of our people during the war.

In the formulation of any comprehensive coal policy this fact should not be overlooked - any proposal that would have the effect of placing restrictions on the marketing of American coal in Ontario should be closely considered from this point of view.

PRESENTED ON BEHALF OF THE GOVERNMENT OF ONTARIO,

BY Geo. B. Langford

Director, Department of Planning and Development."

BY MR. FRAWLEY - I need hardly ask you, but this is the official statement of the Government of the Province of Ontario?

A. That is right.

Q. And when you say "placing restrictions on the marketing of American coal in Ontario should be carefully considered from this point of view", you refer to the generous treatment which the United States Government afforded the people of Ontario in the allotment of coal to meet the needs of the people during the war?

A. Yes.

BY THE CHAIRMAN - There has always been certain restrictions on American coal into all markets of Canada?

A. Yes.

Q. In the way of tariffs?

A. Yes.

Q. You are not for wiping those tariffs off?

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A. We appreciate the fact, but we do not think that should be used to put the price of American coal in a non-competitive category.

Q. What is the result of the railway subventions to coal in the Ontario market? Would that place American coal to a greater disadvantage than they stood previous to those subventions?

A. Officially the Ontario Government did not wish to discuss the matter of subventions. They thought it entirely a matter of Federal field, and I was not authorized to express any opinion on that.

Q. But the Government of Ontario is asking the powers that be not to place any further restrictions now on the American coal in this market. Was that not a restriction more or less?

A. The Ontario Government I think wants to see the greatest possible use of Canadian coal.

BY COMMISSIONER MORRISON - Who is the Minister of Mines for Ontario?

A. The Honorable Mr. Frost.

Q. Are you familiar with a resolution that was passed by a meeting of Ministers of Mines from various Provinces of Canada held in Quebec last Spring?

A. I was at that meeting.

Q. You don't happen to have that resolution with you, do you?

A. No. It is almost the same as this one except for the subventions.

Q. That makes quite a difference?

A. The reason it was deleted was because the Provincial Government thought that was making direct representatives to the Federal Government, which they were not prepared to make.

Q. That resolution was moved by the Hon. Mr. Frost, was it not?

A. I can't tell you that.

Q. I am referring to the resolution that calls for the establishment of a National Coal Policy.

A. That is right.

Q. How do you reconcile the position taken by Mr. Frost at that meeting, with the position you take today?

A. I think Mr. Frost will have to answer that.

BY MR. FRAWLEY - All this brief means is the effect of placing further restrictions on American coal?

BY THE CHAIRMAN - But the word "further" is not there?

BY DR. LANGFORD - That is true.

BY MR. FRAWLEY - Do you wish the Commission to read that as if the word "further" was in there? I don't want to press you about it, but it occurs to me it really means further.

A. I think that is what is meant, further restrictions, yes.

BY MR. FRAWLEY - We will now take up the Brief of the Thorold Board of Trade, which is to be presented by Mr. Paul E. Buss.

BY MR. FRAWLEY to Mr. Buss.

Q. You are what?

A. Secretary of the Thorold Board of Trade, a member of the Canadian Chamber of Commerce.

Q. And you have this brief to present to the Commission?

A. Yes.

Brief of Thorold Board of Trade marked Exhibit 170, and is read by Mr. Buss, as follows:-

"To the Chairman and Members,
The Royal Commission on Coal.

INTRODUCTION

Your Commission was appointed primarily to "inquire into and report upon the problems of and matters pertaining to the coal industry of Canada". Second only to the importance of obtaining coal is the question of using it wisely and as economically as possible. Upon your invitation to those Boards of Trade who might wish to contribute to your deliberations, the Thorold Board of Trade presents to you this Brief on Conservation of coal, and would ask that you kindly embody this question in the final draft of your report.

THOROLD BOARD OF TRADE.

1. Canadians are very much concerned about the continual coal shortage, not only during these war years, but as it will possibly carry over to a number of years following the war. This concern has a deeper foundation when it is realized that so much of our coal must be imported from the United States, owing to the fact

that Canadian mines are so far removed from the more densely populated areas of this country.

No doubt your report will go into the question of transportation of coal, and how the various low grade lignites from the west and the high sulphur bituminous coals from the Maritimes can be used in the majority of Canadian homes and industries. Being more independent of imported fuels is something Canada has looked forward to for many years. The countries exporting coal to Canada at times find it difficult to do so, by reason of unforeseen circumstances such as labour trouble, transportation difficulty and weather conditions.

During the past year, the production of coal in the United States has not equalled the consumption, requiring that all sales be on the basis of 80% of the previous year. This reduced exports to Canada on the same basis, for which Canadians should be duly thankful that they were accorded equal treatment.

The Solid Fuels Administration in Washington admit they have exhausted all means within their grasp for increasing coal production in their mines. As conditions are expected to be worse rather than better, they have appealed to everyone to save coal.

11. Certain classes of manufacturers in the United States have been grouped together by the Government into the "Fuel Conservation Industries Group". These include makers of such commodities as draft controls, stokers, storm sash, thermal insulation, etc. This action indicates just how important fuel conservation is being considered by our neighbors.

At a meeting of this group on February 1st last, an address by Mr. C. J. Potter, Deputy Solid Fuels Administrator, was delivered. With Mr. Potter's permission, we attach this entire address under Item "A", and it becomes a part of this Brief. We ask that you take into consideration the note of desperation contained therein, but at the same time their aggressive method of overcoming their gradually decreasing supply of solid fuels.

111. As Canadians we have followed the advice as circulated by Hon. C. D. Howe, wherein we are asked to "save one shovel in five". But, Gentlemen, it has been proven in numberless cases where the application of a 4" layer of mineral wool over the upper ceiling area of the average dwelling, will alone reduce coal consumption by from 20% to 30%. Also when a dwelling is completely insulated when built, this saving is from 30% to 50%. When long-term planning is considered this large saving in actual fuel waste is the best investment any family can make. Such economy has saved this country not only many thousands of dollars in the past decade, but also has eased the coal situation and the accompanying strain on our transportation systems.

IV - Mineral wool has been made in Canada for the past eleven years, starting with the industry in Thorold. In post-war years the five or more Canadian plants will be able to supply the increasing demand for this material. All government housing during the war has included insulation in all specifications, on account of the great saving it would mean during the war years. At the same time when economy has been a proven fact, thermal insulation has added much comfort to all such homes throughout the cold winters, and hot summers. In this way it has raised our standard of living at a saving in living costs.

V. The question of insulation of construction work has been recognized as being of very great importance in many countries in conserving the use of all types of fuel. Its use has become a "must" on the advice of the greater majority of architects and contractors, in the same way that industrial steam plants would never be able to operate efficiently without it.

VI. SUMMARY - The Thorold Board of Trade, believes that in the public interest, a recognition of the value of Thermal insulation of construction work should be made by your Commission.

- (a) On account of the geographical position of our Dominion, cold weather is predominant.
- (b) A monetary saving in fuel costs would contribute to the wealth of our country.

(c) The saving of this waste of coal would lessen the loan on our mines and our transportation systems, reduce our expenditure on foreign exchange by requiring a lower importation of coal.

(d) With a moderate consumption of coal, under average supplies of domestic and imported coals, a reserve would be created to carry us over the occasional shortage due to various causes.

ITEM "A"

STATEMENT OF C. J. POTTER, DEPUTY SOLID FUELS ADMINISTRATOR,
BEFORE REPRESENTATIVES OF THE FUEL CONSERVATION INDUSTRIES GROUP
IN WASHINGTON, FEBRUARY 1, 1945.

It is a privilege to address this message to the Fuel Conservation Industries Group. I regret my inability to be with you in person. The time for such a conference, however, is most opportune. Right now the country is beginning to feel more acutely the pinch of the coal shortage and for that reason anything I say to you today takes on a heightened significance.

Recent events have shown how easy it is to be misled by a false optimism. Throughout the summer and fall of last year, there were many people who took the attitude that plenty of coal was being produced and that talk of a shortage was so much bug-a-boo. But we knew that, with the heavy burning season, the gap between consumption and production would widen rapidly and our minimum stock piles force us to operate on a hand-to-mouth basis. The sudden drop in production due to the recent heavy snowfalls and the transportation embargo has served only to underscore the seriousness of the situation. With Dame Nature taking an unexpected side-swipe at us, we are now plumb up against it.

But there has been another form of optimism that was even more dangerous than this. Up until around six weeks ago there was an easy belief held by a large section of the public that the war in Europe would soon be over and the defeat of Hitler would automatically solve all our coal problems. The Nazi counter-offensive pretty thoroughly deflated that. We found ourselves up against the bleak fact that the European war might last indefinitely and that it would

require a sharply stepped-up schedule of war production, as well as every ton of coal we could possibly produce, to enable us to fight our way through to victory.

Let me say this conviction still stands, in spite of the magnificent advance of the Russian armies on the Eastern front. Any reviving optimism that Marshall Stalin will soon be in Berlin to solve our coal problems for us should be nipped in the bud. I sincerely hope he gets to Berlin quickly. But even if he does there may still be months of hard, bloody fighting ahead for the Allied Armies in the rest of Germany. In any event, we dare not make any calculation on the war being over until it really is over.

So far as our solid fuels problem is concerned, however, any speculation as to the end of the European war is completely beside the point. It is now generally accepted that the European victory, when it comes, will make relatively little difference in our immediate war economy. For the time being the talk of substantial cutbacks in war production during the twelve months following V/E day, and with them a substantial drop in requirements for coal, has gone by the board. It is now probable that our production of war materials will not be curtailed as much as expected. We have no intention of getting caught short.

I have dwelt at some length on these factors because I think it is extremely important that we all keep them clearly in mind. Everything points to the fact that, in respect to coal production, 1945 is going to be a very tough year. The manpower situation in coal will unquestionably get worse. More of our younger and most productive miners will be drafted to fill the heavy replacement schedules which the military have announced. New machinery for the mines will be harder than ever to get. Repairs on worn out or broken down equipment will be increasingly difficult. The truck and truck tire situation will further deteriorate and we shall be more and more hard pressed to get the coal out of the mines and into the hands of the consumers.

While we must expect a substantial drop in coal production, we can look for no decrease in our over-all requirements. According to

present estimates, bituminous coal requirements for 1945 will be approximately 620 million tons, but the maximum production we can hope for is 580 million tons. This indicates a 40 million ton deficit as against a 10 to 16 million ton deficit we have been laboring under during the current coal year ending next March 31. Of this 40 million tons, it is possible that some 15 million tons can be squeezed out of stocks. But even so, that leaves a net shortage of some 25 million tons, which is serious.

Estimates for anthracite are not yet available, but it is certain the shortage in domestic sizes will run considerably over the 6 million ton figure we have been dealing with this year. As a matter of fact, anthracite production is already running 5 per cent under what we had hoped for and there is every likelihood it will continue at somewhere around that level, or even lower, for the balance of the calendar year.

The point I want to make at this meeting is that we have exhausted all means within our grasp for increasing coal production. We can now expect mine output to slip backward as the industry loses more men. And with requirements still maintained at their present back-breaking level, we have only one weapon left to fight this continuing coal shortage, and that is conservation.

In order to get by, we, as a Nation, have got to use less coal. There is no other way out. We simply cannot continue on the shovel-it-on-and-take-a-chance basis on which, so far, we have been operating. This applies not only to the householder with his home furnace but to every apartment house, office, building, school, court house and other public building as well as our industrial plants and factories. We have got to save coal.

So far as home heating is concerned, it well may be that for the coal year 1945-46 we shall have to cut our allotments down to 80 per cent. Such a regulation has not yet been officially determined but something of the sort is under consideration. This, if decided upon would mean a further 10 per cent cut in bituminous coal over what our distribution program called for this year, and a 7.5 per

cent out in anthracite. We have already instituted a 5 per cent cut in anthracite in shipments to dealers for the balance of this coal year - from 87.5 per cent to 82.5 per cent - and in many of the soft coal using areas it is highly unlikely that we can supply the full original allotment in preferred coals.

Our goal, as always, is to give industry the full amount of coal it needs to do its job. In doing this we are having to curtail the allocation of coal to domestic users most rigorously. That fact places upon industry a tremendous responsibility also to conserve fuel. Only if our industrial plants do their full part can we hold our cuts to householders to an absolute minimum. And only with their co-operation can we meet the real needs of industry itself and avoid having to resort to some arbitrary system of curtailment of industrial coal shipments to protect our most essential war plants.

For the remainder of the present coal year, then, and for the whole of the 1945-46 coal year, conservation must be our watchword as it has never been before. To achieve the necessary saving in fuel and avoid the consequences of an even more serious coal shortage next year will take the whole-hearted efforts of every one connected with coal industry. And it will take the whole-hearted efforts of everyone whose activities in any way involve the heating of homes and buildings. And that brings me to what we ask and expect from you gentlemen of the Fuel Conservation Industries Group.

I am not going to rehearse all the ways it is possible to save coal, but certainly, as you all know, tremendous results can be achieved through the installation of heat controls, insulation, weatherstripping, storm doors and windows and all the other devices which it is your business to manufacture or sell.

What we hope you gentlemen will do during the coming year, is to manufacture and sell up to the hilt. We want you to lay out now the biggest schedule or production your resources will permit. And we want you to plan now an intensive sales and advertising campaign that will enable you to reach every possible customer in the market.

For our own part, we promise our full support on all

reasonable requests for priorities before the War Production Board and also all help we can give you with the War Manpower Commission in obtaining an adequate supply of labor. Certainly, in view of the present situation your requirements on both these scores should be given the highest consideration. If any of you need backing or assistance on these matters, please get in touch with our Mr. Thorson, head of the Conservation Division, and he will put himself at your disposal.

We also want you to give your unstinted support to our own conservation program and tie in your sales and advertising promotion with our propaganda. Within the limits of what money Congress sees fit to appropriate for our use, we shall put on the most effective publicity campaign possible and give you all the concrete help we can in backing up your sales efforts.

In a word, we want you not only to continue business as usual but to add the driving power of the knowledge that, as an industry, you are performing a genuinely necessary and patriotic service to your country in time of crisis. It is a real job - a real responsibility. It is up to you to carry the ball."

BY MR. BUSS - As part of that appeal mentioned on behalf of the United States Government, I have a few copies of different publications the Government has sent out all over the country; I have only a few, but those I have I will leave with your Secretary.

BY THE CHAIRMAN - I suppose that the end of the war in Europe has not made coal more plentiful in the United States? They are going to ship a lot to Europe?

A. I have heard both ways. I have heard that they have none to spare for Europe, but when it comes to the appeal they will spare some.

BY MR. FRAWLEY - Your particular interest is to bring before the Commission the need of conservation?

A. Yes sir.

BY MR. FRAWLEY - I think we will now take up the Brief from Allied Industries Limited, by Mervyne Brown. Mr. McTague has appeared for

these people and will read the Brief, and then Mr. Mervyn Brown is here to be examined.

BY C. P. McTAGUE - In this submission you are going to be transported back to Alberta perhaps, in spirit at any rate. In the emergency which exists and which bids fair to continue for an indefinite time, I want to say that if there was a property in this country which in quantity could produce enough coal to take care of household requirements in Ontario and Quebec for a period of fifty years, with coal of a quality and character that in many respects is better than anthracite coal, then one would naturally conclude that every effort should be made to develop such a property and every assistance given in connection with it. With that preface, or brief introduction, with your permission Mr. Chairman, I shall proceed with the brief.

Exhibit No. 171 - Brief of Allied Industries Ltd.

MR. McTAGUE then read Exhibit No. 171, as follows:

"Gentlemen:

This brief, prepared for Your Honorable Commission, deals specifically with the problem of obtaining coal:-

- (a) To assist in relieving the present acute household fuel emergency in Ontario and Quebec.
- (b) To provide a permanent substitute for the present large imports of foreign anthracite to these provinces.

The engineering reports on the Alberta hard coal area upon which this brief is based were prepared by four coal mining engineers of the highest repute - two consulting engineers from the United States and two British-Canadian engineers reporting upon various phases of the project. Their findings, in our possession, are available for your inspection."

BY COMMISSIONER MORRISON - You have their names, Mr. McTague?

A. Yes. We shall furnish them through Mr. Evans.

MR. McTAGUE (continues brief)

"The latest engineering report has been received from Mr. George Watkins Evans, B. Sc., E.M., of Seattle, who stands at the top of his profession in the United States.

Consultant to the United States Bureau of Mines for 25 years,

he is familiar with practically every important coal mining development in the United States and Western Canada.

He has been employed by the heads of American and Canadian railroads and by a number of the large mining concerns in the United States.

He is a foremost authority on both strip-mining and underground mining. He has acted, not only in a consultative capacity but also in an operating capacity.

Mr. Evans declares the Alberta deposit, with which this report deals, to be the largest and finest body of coal in Canada and the North Western United States.

Mr. Evans is present at this hearing and available to give evidence.

THE PRESENT CRISIS

To-day's fuel crisis has arisen because of our dependence upon imported anthracite to heat the homes of Ontario and Quebec.

These two coal-less provinces embrace two-thirds of Canada's population and their dependent condition should not longer be endured.

We make this assertion with the knowledge that Alberta possesses an immense coal area containing, in the opinion of competent coal mining engineers, over half a billion (500,000,000) tons of an anthracitic type of hard coal - probably enough to heat the homes of Ontario and Quebec for more than half a century.

This coal area over 10 miles in length, lies about 60 miles South-West of Calgary.

In the past 18 months we have spent over \$100,000 in research to prove the availability and suitability of the high grade fuel from this area for the Ontario-Quebec market.

Quantities of this hard anthracitic Alberta coal have been distributed in Ontario towns and cities by coal dealers and burning tests have been made by their customers. Those trials have demonstrated beyond doubt that it is equal to, or better than American anthracite."

BY COMMISSIONER MORRISON - Do you mean American anthracite, or the kind of anthracite that they are shipping in now?

A. The kind that we are receiving, and possibly American anthracite. We will hear more about that from Mr. Evans, Mr. Morrison.
MR. McTAGUE (continues brief)

"Because of a groivous continuing shortage of good coal a majority of Canadian families are compelled by the Wartime Prices and Trade Board to burn ineffectual bituminous or industrial coal in their anthracite furnaces with ruinous results to homes and house furnishings.

This brief offers early relief from a situation which no one approves, and of which house-wives complain bitterly. The source of relief to which we refer is an Alberta mountain of high-grade hard coal that stands idle and undeveloped while thousands face a serious coal shortage.

Much of this high grade, hard Alberta coal can be strip-mined at a very low cost per ton. It can be transported and distributed to Ontario homes to under-sell present retail anthracite prices for egg and nut sizes by at least \$2.50 per ton."

You will observe gentlemen, later on in the brief, that that figure is based on the proposition that the subvention established originally in 1928 will continue.

(continues brief)

"We are now in a position to be specific. We are indeed in a position to make the following considered statements to Your Commission:-

- (a) We control a coal deposit containing (according to competent mining engineers) probably 300,000,000 tons above water level and 300,000,000 tons below water level.
- (b) A large sum has been expended on research to prove the extent and quality of this deposit.
- (c) The coal averages from 13,000 to 14,000 B.T.U's or heat units per pound as against 12,500 to 13,000 B.T.U's in American anthracite."

There is a table at the back of the brief of analysis in substantiation of this, and Mr. Evans will also give the

necessary evidence.

Continues brief

- (d) Tests indicate that the ash content will probably be lower than in American anthracite.
- (e) The average moisture content is about 1 per cent against 3 to 4 per cent in the American anthracite.
- (f) The complete analysis is shown in the appendix attached to this brief.
- (g) It is practically smokeless. It burns with a flame similar to that of anthracite and is clean to handle.
- (h) Unlike practically all Alberta soft coals it can be stored to weather indefinitely. This is a vital requirement in shipping coal to the Central Provinces.
- (i) The coal is hard and will stand sizing and transport. It can be used successfully in furnaces now burning anthracite.
- (j) It can be mined, sized, cleaned, shipped to Ontario and marketed at a cost (including a reasonable profit) which will undersell existing average anthracite prices for egg and nut sizes - by not less than \$2.50 per ton.
- (k) The prevailing anthracite price for egg and nut sizes in 117 towns and cities in Ontario is about \$16.24 per ton. The prices are lower in Toronto, Hamilton and other towns served directly by water transport.
- (l) Quantities of this high grade, Alberta hard coal have already been distributed by a number of coal dealers to Ontario householders, 80 per cent of whom have certified this fuel as equal to, or better than anthracite when used in present household heating equipment."

May I file, Mr. Chairman, a document, a book of photostatic copies of letters received in connection with this analysis.

EXHIBIT No. 172 - A compilation of pictures and answered questionnaires. An annex to Exhibit 171.

BY COMMISSIONER MORRISON - They are not unsolicited testimonials?

BY MR. FRAWLEY - They purport to be questionnaires.

BY MR. M. T. GUE - Mr. Morrison, I am instructed that these questionnaires were sent out by different coal dealers here in Ontario, with samples of the coal.

Exhibit No. 173 - Document which contains a list of prices of U. S. anthracite and other coals in Ontario. Annex to Exhibit 171.

Mr. McTAGUE (continues brief)

"When this hard Alberta coal is produced commercially for general distribution in Ontario and Quebec it will be of better average grade than the trial shipments, which were not re-screened after arrival in Ontario as regular shipments will be."

In other words, there was no screening apparatus in Ontario used after the coal came from Alberta. It was brought in in bags and sent out in that form.

Mr. McTague (continues brief)

"Efforts have been concentrated upon attempts to meet temporary emergencies without regard to permanent requirements. No sooner has one emergency been partly met than another more serious one presents itself."

Q. What do you mean by "efforts have been concentrated"?

A. I mean by the Coal Emergency Board; which would be quite proper, they are only acting in the war emergency.

Mr. McTague (continues brief)

"As a temporary expedient - several coal areas in the West have been opened. These can never be expected to serve the permanent requirements of the country. The type of coal thus mined is unsuited to household use in Ontario, except as a make-shift in a crisis."

That refers to some strip mining projects in Alberta, I suppose.

(Continues brief)

"Moreover, the cost of mining this inferior coal is higher than the cost of mining coal of superior quality."

That is with reference to this coal which we are trying to demonstrate something about.

BY THE CHAIRMAN - Was this officially brought to the Coal Controller during the war, this whole situation?

A. It has been brought to the attention of the Minister and also of the Chairman of the Coal Board, Mr. Brunning, and the suggestion came that a brief should be put before you.

BY MR. FRAWLEY - You never got any financial assistance from the Coal Production Board?

A. No.

MR. McTAGUE (continues brief)

"WATER-SHIPPED TO ONTARIO

The cost of transporting this low grade Alberta coal containing an average of 15 per cent water 2,000 miles by rail to Ontario is unwarrantably high.

In every 2,000 pounds or ton of soft Alberta coal shipped across the continent at least three hundred pounds of water is transported at a cost of \$8.00 per ton or 2/5ths of a cent per pound.

If a train of 70 cars of soft Alberta coal is shipped from Alberta to Ontario 10 cars of water are transported all that distance.

In 70 cars of hard, Alberta coal, shipped from Alberta to Ontario, not more than 1 car of water is included.

The cost of shipping ten carloads of water from Alberta to Ontario is from \$4,000 to \$5,000.

It has been stated that over a period of years the cost of shipping low grade coal with a high moisture content from Alberta to the three Central Provinces has run into millions of dollars - more than enough to finance an extensive development of the high grade coal area in the same province."

Manitoba is included in the three Central provinces.

(Continues brief)

"We propose to ship condensed heat - instead of water, over that 2,000 miles between Alberta and Ontario.

In 1928 the Federal Government passed legislation to encourage the movement of Alberta coal to Ontario. This took

the form of subventions, which in effect reduced the freight rate by \$2.50 per ton."

It was that paragraph I had reference to before.

Continues brief:

"During the 12 years from 1928 to 1939 inclusive (the twelve years prior to the war) the total quantity of soft household coal (sub-bituminous and lignite) moved under these subventions from Alberta to Ontario was only 492,541 tons or an average of 41,045 tons a year.

The coal and coke consumption of Ontario now averages over 6,250,000 tons a year, so that the campaign to obtain a substantial share of the Ontario market for Alberta has been a failure. The reasons for this failure are:-

- (a) Eastern coal dealers will not purchase large tonnages of high moisture coal which will not store to weather.
- (b) The average quality of Alberta coal, shipped to Ontario prior to the war, did not exceed 10,000 B.T.U's or heat units per pound.
- (c) The price of Alberta coal laid down in Ontario was too high in comparison with imported anthracite, Pocohontas coal or coko.

As the high grade, Alberta hard coal we propose to develop is lower in moisture and higher in heat units than anthracite, and as it will be sold to householders for \$2.50 per ton less, it should largely replace imported anthracite and Pocohontas coal in the Ontario market within a few years.

If the proposals herein outlined are adopted, a dual purpose will be served:-

- (a) Emergency coal will be provided in the winter of 1945-46."

That will not be in very large amounts; it would depend on the strip mining process.

(Continues brief)

- "(b) A permanent supply of high grade, hard coal will be made available for many decades to come.

The capital expended to produce household fuel in the 1945-46 winter season will open up a vast body of high grade hard coal reserves capable of supplying the homes of Ontario and Quebec for the next half century and more.

GOVERNMENTS INFORMED

Proposals have already been submitted to the Federal Government; and to the Government of Ontario for bringing this immense coal area under immediate production. A submission is yet to be made to the Government of Quebec.

The proposals made to the Federal and Ontario Governments could be carried through without cost to either Federal or Provincial Treasury. Moreover, these proposals if accepted will make available at an early date several millions of dollars to develop a great native natural resource."

In that connection Mr. Chairman, I should like to file with you copies of the brief submitted to the Hon. C. D. Howe. In that brief is contained financing proposals, which naturally we do not care to make public.

BY THE CHAIRMAN - You have not set them out in your main brief?

A. No, but in the brief which we file as an Exhibit, to the Hon. Mr. Howe, you will find them contained.

BY MR. FRAWLEY - The document which has been handed to me is not signed, and Mr. Brown will supply a signed copy, and I think we had better wait until later to mark it.

BY COMMISSIONER McLAURIN - It has in prior time been submitted to Mr. Howe?

A. Yes.

MR. McTAGUE (continues brief)

"The Alberta Government has been consulted from the outset of our research activities in that province. The Premier and Minister of Mines have expressed interest in and approval of the development.

EMERGENCY COAL

The question of an adequate supply of emergency coal for Ontario and Quebec is today of the highest national importance.

The international as well as the national coal situation is extremely serious. The whole continent of Europe is in dire need of fuel for both industrial and home use.

Mr. Harold Ickes, United States Secretary of the Interior, has undertaken to ship from 6,000,000 to 7,000,000 tons of American coal to the continent of Europe to aid in preventing anarchy and chaos in that part of the world. Mr. Ickes has lately made the following public pronouncement:-

"Washington, July 31 - (B.U.P.) - Secretary of the Interior Harold L. Ickes told the U.S. Senate today that next winter will be the 'coldest of the war' unless sufficient miners are quickly released from military service to increase coal production.

"This would be true", Ickes said, "even if we did not send a pound of bituminous coal to Europe."

"The United States", he continued, "has done prodigious things to provide fuel to run the war.

"But I am not a prestidigitator", "and neither are any of the members of the solid fuels administration staff," he said. "We have no magic wands, and we can not produce coal without coal miners. No one else can."

"If they are not forthcoming, the public must be prepared to scrape the bottom of the fuel bin as never before, and even burn the bottom of the bin itself if it happens to be wood."

Leading American Seantors are greatly concerned about the impending shortages in the United States. This will undoubtedly have a serious effect upon shipments of fuel from that country to Canada during the coming winter.

Mr. George T. Popall, Regional Solid Fuels Representative for Ontario, announced at the week-end that while dealers do not wish to arouse public fear, it has been found absolutely necessary to inform householders of the seriousness of the situation.

It is imperative that Canada immediately develop any sources of fuel supply that will economically serve the acute fuel areas of Ontario and Quebec.

It is indefensible from a public viewpoint for Canada to depend almost wholly on American imports of household fuel when coal of equal or higher heating efficiency lies idle in our own land.

The United States Government in the past went far to meet our pressing needs, but we cannot expect American householders to sacrifice their normal heating quotas on behalf of those who have an unused abundance of high quality coal in their own country.

Federal Ministers emphasize the gravity of the fuel situation. Federal Government pronouncements and advertisements urge householders to accept any substitute fuels that the coal trade can offer.

There is little likelihood that the people of the coal-less Provinces of Ontario and Quebec will obtain suitable fuel for the adequate heating of their homes during the coming winter.

We are therefore respectfully urging your Commission to make immediate representations to the governments concerned in favour of reasonable assistance in the opening of this major hard coal area.

BY THE CHAIRMAN: Did you say that Mr. Howe has referred this question to this Commission?

MR. McTAGUE: Oh no, not directly. What happened, Mr. Chairman, was this, that Mr. Howe referred the matter to the Chairman of the Emergency Coal Board, Mr. Brunning, and suggested that conferences should be held with him. Conferences have been held. As a matter of fact Mr. Greenfield, who is interested, had a conversation with him just a day or so ago, I think on August 9th. Now as a result of those conferences ---

BY COMMISSIONER MORRISON: With Mr. Brunning on August 9th?

MR. McTAGUE: I believe so, in Calgary, and as a result of those negotiations it was suggested that a brief should be presented to this Commission for its comment and suggestions. (Continues brief):

The yearly requirements of household fuel in Ontario approximate 6,250,000 tons. Quebec consumes about 2,250,000 tons each year. (That is of coal and coke).

These are large tonnages to obtain from another country in war time and in the presence of an international fuel emergency.

If a substantial proportion of this coal could be obtained in Canada - the United States would be freer to export a larger tonnage to destitute European countries - countries which deserve every help that can be given by Canada and the United States during the reconstruction period. As head of UNNRA, Governor Lehman said the other day in London, England, that devastated Europe must have more coal and more food.

The annual export of tens of millions of Canadian dollars to the United States or other countries for household coal produceable in Canada is wholly unjustifiable.

These tens of millions of dollars should be retained in Canada to employ Canadian labour in mining and transporting our own hard fuel from Western to Central Canada.

At the present time, as for years past, such expenditures have been made for the benefit of labour and transport companies in the United States and in other countries. "Canada first" is a good policy - particularly in respect to the production of the basic essentials of life.

EXPORT AND IMPORT TRADE

It is manifest that after the war we cannot expect to maintain our present extremely favourable export trade balance.

We must therefore take drastic steps to reduce our import commitments.

The present imports of household fuel constitute one of our heaviest dollar commitments that should be radically reduced without avoidable delay.

Prior to the war we exported large quantities of food and other commodities to Great Britain, obtaining in return British pounds with which to purchase American dollars.

The British pounds thus obtained made it possible to build up large amounts of American exchange (dollars) with which to pay for coal and other commodities imported from the United States.

Leading financial authorities estimate that after the war Great Britain will not be in a financial position to purchase more goods from Canada than she can sell to Canada. British pounds will thus not be available to buy American dollars with which to balance our trade with the United States for years to come.

One step in the solution of this trade problem will be found in the quick, vigorous development of one of Canada's chief natural resources - namely household coal. The lack of such development has been one of the main pre-war causes of our unbalanced trading account with the United States.

Fuel, food and shelter may be bracketted together as the three main essentials of human existence. We must not rely on foreign supplies of life's basic essentials when these can be produced at home.

CAPITAL - THE IMMEDIATE REQUIREMENT

The immediate requirement for the speedy development of this immense Alberta hard coal deposit is capital. The other essentials are all readily available. The labour and materials required to open the mine can be obtained within a reasonable time.

RAIL LINE TO PROPERTY

A rail line 60 miles in length is required to connect this hard coal area with existing rail transport facilities. This will cost about \$1,500,000, inclusive of steel rails. We are confident that one of Canada's railway companies will lease the essential steel rails to us in return for the extensive rail traffic which will accrue. Reliable contractors, who have made a reconnaissance survey of the projected rail route, advise that the line can be built in four or five months.

Our Canadian railway companies should build a joint rail line into this major coal field without delay. The rails, the ties and the labour are all obtainable to do the job.

Some person may conceivably suggest that a 60-mile rail line involves too heavy an outlay to open up this new coal area. The answer is that in relationship to the existing milegaes of the two Canadian railways and compared with the capital investment in these enterprises, the length of line and the amount of capital involved are infinitesimal.

The amount of coal freight which will accrue from this major coal development will be invaluable in post-war years to both the C.N.R. and the C.P.R. These railways have not yet begun to taste the competition in traffic hauls they will have to face after the war - both on highways and in the air. The movement of several millions of tons of coal per annum from Alberta to Ontario and Quebec may prove a godsend to them. Long hauls of freight at a reasonable rate per car mile constitute an essential part of railway economy.

STORAGE OF COAL IN COAL-LESS PROVINCES

In the public interest large tonnages of this high grade hard coal should be stored in the coal-less Provinces of Ontario and Quebec. As this type of anthracitic coal stores to weather indefinitely adequate stocks of it should be carried in the chief urban centres. The possibility of strikes or

lockouts at mines or on transport systems renders it prudent to provide against such contingencies.

COAL STRIPPING

Much of the tonnage in the Alberta hard coal measures can be strip-mined at low cost.

The essential stripping equipment is available and provisional arrangements have been made to obtain it.

COAL CLEANING PLANT

It will be necessary to build immediately a coal cleaning plant at a cost of from \$350,000 to \$400,000. If the essential priorities are granted by the Federal authorities, this plant can be completely installed in 5 or 6 months.

COAL SHIPMENTS

If immediate action is taken it should be possible to commence shipments of coal to Ontario by the first or middle of February, 1946, during which month and March, April and May, the coal shortage in the coal-less Provinces is likely to be particularly acute.

REDUCTION OF COAL PRICES

It is expected that the price of this coal can be reduced in post-war years as a welcome relief from existing high prices of anthracite in Ontario and Quebec, which have placed a serious financial burden upon householders in the low income brackets.

There is no doubt that the cost of househeating in Ontario can be reduced by \$2.50 per ton to householders who now use nut and egg size anthracite.

BY THE CHAIRMAN: In connection with that, there is not a very large amount of anthracite coal being used for households in the provinces of Ontario and Quebec, I mean compared with soft? In the past years what is the proportion of anthracite to soft coals used for domestic purposes in the provinces of Ontario and Quebec?

MR. McTAGUE: About 5 million out of $8\frac{1}{2}$, so Mr. Brown tells me.

BY THE CHAIRMAN: The reason I ask that, your brief is suggestive of the fact that all hard coal is being used in these provinces for domestic heating.

MR. McTAGUE: Well, it intends to convey that under normal conditions mostly anthracite coal is used. However, Mr. Brown says he can secure verification for that figure here. I don't know personally very much about it. (Continues brief):

STEADY EMPLOYMENT FOR MINERS

Inasmuch as this hard coal will store to weather indefinitely, steady employment for miners can be assured. Most of the Alberta coal mine companies producing household coal under normal pre-war conditions were able to offer employment for only 6 to 7 months a year. This has been one of the chief reasons why there has been a shortage of miners in some years.

Mr. Chairman, Mr. Brown has just handed me a letter from the office of the Coal Controller, dated October 1, 1943, which with your permission I will read, as it is in regard to what you asked. It is signed by C. L. O'Brian, special assistant, from the Office of the Coal Controller:

"Dear Mr. Brown:

"You have asked me for information on the tonnage of coal used for domestic purposes in Ontario and Quebec. In the calendar year 1942 the following tonnages of coal and coke were sold by retail dealers in the areas noted as retail sales. These include coal supplied to apartments, hotels, etc., where sales were on a retail basis and the coal handled by the dealer, but exclude wholesale transactions and carload sales. They do in our opinion represent the tonnage actually sold for domestic purposes. In Ontario, 6,330,000 tons; Quebec, 2,180,000 tons; Manitoba, 900,000 tons. As there was approximately 5,000,000 tons of anthracite sold in Canada last year, it can be said that of this some 3,250,000 would be sold in Ontario and 1,250,000 in Quebec."

BY THE CHAIRMAN: That is a war year?

MR. McTAGUE: 1943. Well, it would have reference to the year 1942.

BY THE CHAIRMAN: Well, of course even at that the percentage is not as high as you suggest.

MR. McTAGUE: That is about one-half.

BY THE CHAIRMAN: Before the war it was very much less?
I suppose we have got to deal with after-the-war conditions.

MR. McTAGUE: Yes. (Continues brief):

MODEL TOWNSITE

If we are to place coal mining on a sound basis within a comprehensive national fuel policy the human element in production must be recognized. (I think that was written for your benefit, Mr. Morrison; I am not sure). We must induce young men to take up this type of employment to fill the ranks of those who retire from year to year. For the sake of the men, the industry and the general public, living conditions for coal miners must be placed on a par with those prevalent in other types of industrial enterprise. Too many coal mining developments are started on the theory that "any old thing" will do for coal miners and their families. In most cases, the houses of miners have been built adjacent to mines where coal dust from the slag heap or the cleaning plant pervades the home.

Coal miners and their families are entitled to as much consideration as other industrial workers.

We propose that our townsite shall be built along lines of "live and let live" rather than upon the old basis of grinding every cent out of the men who make it possible to secure a good return on the investment.

Wherever this principle has been adopted it has paid the finest of dividends - that is in hearty co-operation between the men, the management and the owners.

Slums in coal mining areas can be no more justified than slums in large centres of population.

Model townsites with clean, healthy living conditions are essential to good Canadian citizenship.

MANUFACTURED GOODS WEST AND ALBERTA COAL EAST

The objection has been raised that 2,000 miles - the distance between Alberta and Ontario - is an excessive haul for coal. Those who advance this argument forget that for over 40 years Ontario manufacturers have shipped their goods to Alberta - goods protected by tariff - the burden of which has been borne by the people of that Western Province.

POST-WAR EMPLOYMENT

Full post-war employment cannot be maintained over an extended period unless steps are now taken to develop vigorously every available latent resource of the Dominion.

We submit that those who argue differently are in line for a rude awakening.

Canadians desire no repetition of the idle thirties when the governments of Canada expended \$620,620,000 on direct public relief. This vast wasteful outlay occurred between September 1930 and March 1941.

During this period, thousands of competent miners in Alberta were able to find gainful employment for only 2 to 4 days a week, while tens of millions of Ontario and Quebec dollars were sent to the United States, Germany, Russia, even to Indo-China - and other countries for coal.

Canadian rail lines, rail cars and motor power rusted and rotted in idleness. Railway men subsisted on direct government relief while a mountain of high grade Alberta coal remained undeveloped.

Had 5,000,000 tons of this high grade coal been shipped annually to Ontario and Quebec during the idle thirties, the railways gross yearly income would have been \$35,000,000 higher.

I think that figure is arrived at, Mr. Chairman, by a calculation of \$8.00 per ton, less the revenue that the railways did receive during the period. (Continues brief):

In that event, this vast sum, together with the amount that would have been paid each year to miners, would have been

available to improve the national economy.

While we spent over half a billion dollars on direct public relief a paltry few millions of dollars could have been gainfully expended on developing Alberta's high grade coal.

During the recent Federal and Provincial elections, every political party and practically every candidate seeking public office, pledged itself or himself or herself to full post-war employment and against a return to the conditions prevailing in the idle thirties. We trust that those pledges will be implemented in full.

We respectfully submit that the time is here for the government to lay down a national fuel policy - a policy that will avert widespread calamity to the householders of Ontario and Quebec - a policy that will retain in Canada the tens of millions of dollars now sent abroad annually for domestic fuel - a long term policy that will remove once and for all, the absolute dependence of two-thirds of our homes upon imported household coal.

Any sectional or restricted national fuel policy would, we maintain, operate wholly against the public interest.

S U M M A R Y

1. Hard coal as high as, if not higher than American anthracite in heating efficiency - has been located in Alberta, Canada.

BY THE CHAIRMAN: You have given us some analyses of this coal. Now by whom were those analyses made?

MR. McTAGUE: Mr. Evans, who is here, sir, will give evidence on that.

BY THE CHAIRMAN: What I mean to say, they have I presume in various provinces - Alberta I think has a very good laboratory, if you can call it that, for analysing coal. Has this coal that we are talking about gone through that laboratory and been analyzed?

MR. McTAGUE: It has been tested in the laboratories in Ottawa.

BY THE CHAIRMAN: Or Edmonton?

MR. FRAWLEY: It is a low volatile, bituminous coal.

BY COMMISSIONER McLAURIN: It is a fact that in a booklet issued by the Alberta Government, "Coal Areas of Alberta", this particular coal is discussed?

MR. McTAGUE: I don't know. The property was owned by Senator Burns and what analyses were made then I don't know.

BY COMMISSIONER MORRISON: The Alberta Government Department of Mines makes an analysis of all, the domestic producing and otherwise, in the Province, and have listed and classified them in a very exhaustive booklet.

BY THE CHAIRMAN: What I was asking is if the analysis of the coal we have been talking about a Provincial?

MR. FRAWLEY: Oh no, I notice they are analyses made by various people. I wanted to ask about that.

BY THE CHAIRMAN: That is all I wanted to find out.

MR. McTAGUE continues brief:

2. Over half a billion tons of this hard coal can be mined and shipped to Ontario and Quebec.
3. Much of this hard coal can be strip-mined at a low cost per ton.
4. It can also be mined cheaply by underground methods because a very large tonnage lies above water level.
5. This high grade, hard coal can eventually be sold to householders in Ontario for \$2.50 per ton below existing average prices of anthracite in egg and nut sizes.

BY COMMISSIONER McLAURIN: Now this is the first time I have heard the word "eventually" being used. All through this memorandum you have been talking of it being saleable at \$2.50 a ton less. What is the meaning of the word "eventually"?

MR. McTAGUE: Perhaps Mr. Brown can answer that.

MR. FRAWLEY: You see, it was arranged that Mr. McTague should read the brief and Mr. Brown should answer the questions, or we will put him on the stand.

MR. McTAGUE continues brief:

6. If immediate action by the governments directly concerned is forthcoming, a quantity of this coal can be marketed in the latter part of the winter of 1945-46 to aid in solving the coal crisis.
7. The present coal emergency arises from lack of a National Fuel Policy.
8. The present policy of attempting to meet recurrent fuel emergencies by temporary expedients is unsound and against the public interest.
9. Two-thirds of Canada's population, located in Ontario and Quebec homes, has relied too long upon imported household coal. If persisted in, this policy may yet end in a national disaster.
10. The present coal crisis is world-wide and may last for several years.
11. We cannot depend upon United States mines to supply all household requirements in Ontario and Quebec. Their first duty is to serve the homes of American citizens.
12. Even as a temporary expedient, shipment of low-grade, 15-per-cent moisture coal from Alberta to Ontario is wholly unjustified. Condensed heat - instead of water - should be transported 2,000 miles from Alberta to Ontario.
13. The use of scarce railway cars, motive power and manpower in transporting water across a half continent is a national waste in disregard of sound business principles.
14. National efforts aimed at solving the present serious crisis should dove-tail into long term plans for permanently adequate future supplies.
15. The yearly transfer of tens of millions of Canadian dollars to foreign countries for household coal is unjustified.
16. As far as possible, Canadian dollars should be retained at home to employ Canadian labour in producing and transporting household coal.
17. Our present volume of exports cannot be maintained. We must therefore drastically reduce imports. Household coal is

one of our largest import items.

18. Owing to the likelihood of reduced exports to Britain after the war Canada may not have British sterling to exchange for American dollars with which to pay for the large imports of American coal to which we have been accustomed.

19. To develop Alberta's hard coal areas economically, a 60-mile railway spur must be built. This should be done jointly by the two Canadian Railways. The cost will be infinitesimal compared with existing railway investments.

20. The C.N.R. and C.P.R. will greatly need new sources of revenue at the close of the war.

21. For over 40 years, Ontario and Quebec manufacturers have shipped their goods over 2,000 miles to Alberta. This is one of the reasons why Alberta hard coal (for household use) should not be denied the extensive markets available in these two coal-less provinces.

One-way traffic breeds sectionalism instead of promoting national unity, and a sound, over-all national economy.

22. Owing to the very low moisture-content of Alberta's hard coal, it can be stored to weather indefinitely. For this reason, all-the-year-round employment can be given to miners. The average Alberta mine, producing poor, low grade household coal in pre-war years, afforded miners steady employment for only 6 to 8 months per annum.

BY COMMISSIONER MORRISON: Now, Mr. McTague, "the average Alberta mine." We are in Ontario today and I don't want you to leave the impression with the people of Ontario that that is the only kind of coal that is mined in Alberta, that is "poor, low grade." We mine a pretty high grade of coal in some of the producing mines in Alberta and I hope you will advise your clients that they are not the only people that have very high grade coal in the Province of Alberta.

MR. McTAGUE: It is a matter of degree, I suppose. I was somewhat aware of the condition you speak of myself to a certain degree.

MR. FRAWLEY: "Average" is such a big word.

MR. McTAGUE continues brief:

23. We propose laying down a model townsite where miners can enjoy housing and living conditions comparable to those in normal industrial communities. The proximity of miners' homes to existing mines is not conducive to good citizenship. Miners are entitled to improved homes and home conditions.

24. The development of Alberta's hard coal area will expand opportunities for post-war employment. The creation of an important new industry and the resultant increase in railway traffic will provide thousands of JOBS for Canadian workmen.

25. The Alberta Government through the Premier and Minister of Mines has expressed approval of the projected development.

26. Proposals have been laid before the Federal and Ontario Governments which call for an early answer. Unless Governments act immediately none of this high grade coal can be marketed in Ontario or Quebec to aid in solving the serious coal crisis of 1945-46.

We therefore respectfully but strongly urge your Honourable Commission to make immediate representations to the Federal Government in favour of such reasonable aid as is required -

- (1) to establish this essential new national industry,
- and
- (2) to solve Central Canada's increasingly critical fuel emergency and permanent household coal problem.

ALLIED INDUSTRIALS LIMITED

(Sgd.) MERVYN BROWN
Chairman.

MR. McTAGUE: Then, Mr. Chairman, may we go over to the analyses in the appendix immediately following. (Continues Brief):

Comparative analyses of Alberta Hard Coal and
American Anthracite

(Extracts from report of George Watkin Evans, B. Sc., E.M.)

CHARACTER OF THE COALS

For purposes of comparison, I include (1) a list of analyses of samples taken from the Burns mine by Alexander Sharp (pages 6-7 Sharp's report), whom I knew and on whose sampling I can depend, and (2) analyses of American anthracite.

BURNS COAL ANALYSES

TABLE OF ANALYSIS OF COAL FROM P. BURNS' PROPERTY
ON SHEEP CREEK, ALBERTA. SAMPLED BY ALEXANDER SHARP,
ASSAYED - 1 to 12 BY J. O'SULLIVAN, VANCOUVER;
13 to 17 BY A. L. MCKILLIP, NELSON, B.C.

NO. CREEK	WATER PER CENT.	VOL. COMB. MATTER PER CENT	FIXED CARBON PER CENT	ASH PER CENT	SULPHUR PER CENT	BTU COKE
1 Sharp	1.00	12.6	76.6	9.0	0.8	None
2 Sharp	1.50	13.1	74.6	10.0	0.8	Part coherent
3 Sharp	2.00	13.2	76.7	7.5	0.6	None
4 Sharp	1.00	13.5	81.0	3.5	1.0	Part Coherent 14,877
5 Sharp	1.00	12.5	82.0	3.5	1.0	Coherent
6 Sharp	1.00	12.5	81.5	4.0	1.0	Coherent
7 Sharp	1.00	11.1	81.1	6.0	0.8	None
8 Brown	1.50	9.6	71.1	17.0	0.8	None
9 Rickert	1.00	12.7	78.2	7.5	0.6	None
10 Burns	1.50	12.1	80.1	5.5	0.8	Part Coherent
11 Mackenzie	1.00	12.6	78.0	7.6	0.8	None
12 Mackenzie	1.00	11.65	70.65	16.0	0.7	None
13 Rickert	1.76	11.17	81.56	5.51	---	87.06%
14 Rickert	1.82	11.74	82.25	4.20	---	84.46%
15 Rickert	2.10	13.43	79.84	4.63	---	84.46%
16 Sharp Creek	2.0	25.0	70.0	3.0	---	73.0%

Analysis of Coke, produced from Sample No. 16

None 0.5 94.9 4 0.6 Hard & Firm

COMPLETE ANALYSIS OF BURNS COAL

NO. CREEK	WATER	FIXED CARBON	ASH	SULPHUR	HYDROGEN	OXYGEN & NITROGEN	COKE
17 Rickert	0.98	84.77	5.96	0.18	3.63	4.48	90.64
18 Rickert	1.02	87.24	5.42	0.18	2.92	3.24	92.81

AMERICAN ANTHRACITES

Below is a list of analyses of American Anthracite coals published by the Canadian Government and representing samples taken during the years 1942 and 1943, in Canada.

Pennsylvania Anthracites

SIZE	MOISTURE	ASH	VOLATILE MATTER	CARBON	SULPHUR	BTU.
Egg	4.3	10.9	5.3	79.5	0.7	12,565
Stove	4.1	10.8	5.2	79.9	0.8	12,542
Chestnut	3.9	11.5	5.8	78.8	0.8	12,530
Pea	4.1	13.0	6.0	76.9	0.7	12,280

From a comparison of the Sharp analyses of Burns' coal and the U.S. anthracite analyses given above, it will be noted in each case that (1) the moisture in the Burns coal is much less than in the Pennsylvania Anthracite; (2) that the fixed carbon in the Burns coal in most cases is higher than in the U.S. Anthracites; and (3) that the ash in Pennsylvania Anthracite coal is as high as, and in most cases higher than, the ash in the Burns coal.

The BTU's in the Burns coals are not given, but I know from personal experience (this is from Mr. Evans) in sampling the coals of this district, that the BTU's are considerably higher than in the Anthracites listed in the Canadian Government list of Pennsylvania Anthracites. The Burns coals run from 13,500 to 14,000 and some of them over 14,000 BTU's. Sulphur is not much of a factor, in any coal, except in coals that are used for either making gas or for making metallurgical coke.

The average of the 16 samples of ash listed in the foregoing list of Burns coals is about 7 per cent. I believe the ash in the regular shipments might be higher than this but even eight or ten per cent ash content would be much less than in the U. S. anthracite coals now entering Canada.

MR. McTAGUE: Mr. Chairman, may I call Mr. Evans?

BY THE CHAIRMAN: Oh yes.

GEORGE WATKIN EVANS Sworn. Examined by Mr. McTague.

Q Your name is George Watkin Evans?

A Yes sir.

Q And what is your profession, Mr. Evans?

A A consulting mining engineer.

Q And could you outline for the Commission your qualifications and some of the work that you have done both in a consulting capacity and in an operating capacity?

A Well, I began working in the coal mines when I was 11 years old, worked for 9 solid years in the mines, then for a period of years I alternated between the coal mines and college and eventually got two degrees in Mining Engineering from Washington State College. I was with the Washington Geological Survey on Coal for a number of years and then hired by Guggenheims to go into Alaska to examine a field in that area. I have done a lot of consulting work for large companies such as the Guggenheims, Western Fuel of Western Canada, Union City Company of California, in coal operations in the anthracite fields of Pennsylvania for about 5 or 6 years, and for the Canadian National Railways. I have operated in the Goose Bay field in Oregon where they have very difficult mining conditions, with heaving floor, squeezing roof, and also mine fires, overcame that difficulty; operated in the Canadian Rockies at Carbon in strip-mining there. When their two underground mines were on fire and they had to get some emergency coal I went in there and opened up the No. 3 mine. I have examined practically every coal field of importance in Western United States and those in Western Canada as well as Alaska.

Q And when did you first examine the Burns property which is dealt with in the brief that has just been read?

- A In the summer of 1927.
- Q In what connection or for what purpose was that examination made?
- A For some bankers in New York.
- Q I believe that while the property was still owned by Senator Burns a tunnel was driven into it?
- A About 2700 feet across the measures.
- Q And you have examined the tunnel and the workings?
- A I was in the tunnel in 1927, examined the coal beds that were penetrated by the tunnel at that time.
- Q Now a statement has been made in the brief just read that there is probably 300,000,000 tons above water level and 300,000,000 tons below water level. Will you tell the Commission just what you mean by that from an engineering viewpoint?
- A Well, only a portion of the coal beds were included in that estimate. If you took all of the beds we will say over 2 or 3 feet in thickness and estimated the total tonnage it would be far above that amount, but I picked out a group of beds about 12 feet or so in thickness and measured the length of the coal bed by the pitch, Mr. Morrison will understand that, and from water level at this point up to the outcrop--as a matter of fact the distance is more nearly 2,000 feet from the water level up to the top of the ridge of coal-bearing strata, but I limited that to 1500 feet, so I took a group of the beds, I would say more nearly one-third of them, and by measuring the distance by the pitch, the thickness of the bed, and then working out that tonnage estimate, I came to 300,000. Mr. Cunningham, a well known mining engineer from West Virginia, made an examination of this property in 1917 or 1918 and he took into account all of the beds, and his estimate ran up pretty close to 900,000,000, so I think that my one-third of his estimate was practically certain; and I did the same thing down the pitch, 1500 feet down the pitch,

which is a very conservative distance, because in the State of Washington at Black Diamond we worked 6300 feet down the pitch, and my 1500 feet was extremely conservative.

Q Then what about the likelihood of faulting on the property? Have you anything to say about that?

A There is a very large series of limestone along the east and they form what is known as the Front Range; another series of limestone to the west known as the Misty Range. They are very pronounced. The coal beds are in between the Front Range to the east and the Misty Range to the west, and you can follow along those limestones there for 9, 10, 12 miles without an appreciable break. Mr. Cunningham in his work in 1917-18 traced these coal beds, according to his map, and had Mr. Patrick, a well known surveyor of Calgary who by the way is still living, tie in all of the outcrops that he made at that time, and I have a map which shows those coal beds continuing there for a distance of about 10 miles, so I would say because of these great masses of limestone to the east and west, which apparently are not broken, that the area in between is reasonably firm and not broken by faults.

Q Now you have made reference to Mr. Cunningham and Mr. Kilpatrick.

A Was it Kilpatrick? Mr. Patrick.

Q Do you know of works by any other engineers?

A Mr. Alexander Sharp made an examination about 1915 and he was a very competent man, British-trained, and he was on Vancouver Island. Mr. Sharp made a very careful examination and dug a lot of trenches, and his estimate compares very favorably with Mr. Cunningham's estimate.

Q By the way, how large is this property we are talking about?

A About 10 miles long.

Q Now the term "anthracitic" has been used here in respect of the coal. Could you tell the Commission just what you mean by the term "anthracitic" and just where it comes from and what it connotes?

- Q I am probably responsible for that term in this particular report. It is neither bituminous nor anthracite. As compared with the mammoth bed down in Pottsville it would not rate in the same class, but it is in between the Pocahontas smokeless coal and Pottsville anthracite. You couldn't call it bituminous or anthracite.

BY COMMISSIONER MORRISON: It is a new term?

- A It is a convenient term for my use.

BY MR. McTAGUE: It sounds good, Mr. Morrison.

BY COMMISSIONER MORRISON: Yes, we are living in a changing age.

BY MR. McTAGUE: Now some reference has been made to the practicability of strip-mining on this property. Have you any observations to make on that?

- A The coal beds in the Burns property dip at angles ranging from 50 to 90 degrees, dipping west, south-west, and are almost identically the same as the coal beds around Pottsville and Lansford, and for many years they have stripped there at the outcrop around Pottsville and Lansford. I have stripped areas there in 1931-1934. I was in there for Mr. Miller of Pennsylvania and Reading and I laid down a number of stripping jobs at that time that they are operating at the present time, and as a matter of fact they are furnishing a lot of coal we would not have otherwise, because underground conditions there are pretty bad, so I have taken a leaf out of the anthracite book and tried to apply it on the Burns property. No reason at all why we should not go down with a drag line on the Burns property. They are going down 500 feet on the Lansford but I would not anticipate any such distance up there. They would probably have to limit it to 90 to 100 feet because of difference of topography; can't use as large equipment up there as they can down at Pottsville.
- Q Have you made any estimates of cost per ton in respect of the strip-mining process?
- A I did some stripping at Carbon, right up in the Rockies, an elevation of 6300 feet; small equipment and hauling coal 300

feet down to a cleaning plant. My total cost there was just under \$1 a ton. I didn't have a great deal of over-burden to move.

BY COMMISSIONER MORRISON: In fact you had an open on some of it?

A Yes, and that of course is a different condition to what it is up there on the Burns property. Down in the anthracite field-- I was down there two years ago and made a report for some friends on a job where the ratios of waste material to coal were about 3-5 to 1 and the tons per man per day on the entire job was 20 to 30 to 40 tons of coal per man per day. Now that is very cheap coal but in that case they were using two different ways of strip-mining, one to put it into a truck and haul it off to some distance, and the other to cast. We expect to cast up on the Burns' property for some time and possibly use belt conveyors to bring coal down instead of using trucks.

BY MR. McTAGUE:

Q Did you make an estimate of the cost?

A I would say where our ratios would be not over 3-5 to 1, and later using belts, from \$1.50 to \$2 per ton.

Q That is strip mining?

A Yes.

Q And have you made any estimates of underground mining costs at all, or have any been made that you know?

A Yes, I have estimated by the old system of mining, by starting down at the bottom of this 1500 or 2000 feet, driving chutes up from the bottom continuously up to the top and start to draw pillars, you would have a squeeze under those conditions there. You would also have mine fires the same as at two or three mines up in the Coalspur. In fact they were recently driven out of one by mine fires. I think we could strip down to a certain point, and we would then start lower down on the coal bed with rock cuttings parallel to the coal bed and then drive over and just go by with short lifts and mine the coal from the outcrop down, instead of

going down here and trying to mine from here and having this whole body of coal on top. That gives you much better ventilation for your mine, gives you a place for your gases to go out. If you get down in here you are under 1500 or 2000 feet of coal there; your gases have no chance to get out at all. By going from the outcrop down in short lifts, maybe 60 and 100 feet, you have that under control at all times. It is going to cave back a little but your caves would be under control, your ventilation under control; much safer for the men and I think much cheaper in the long run.

Q Did you arrive at any estimated figure, average cost, on that basis?

A With those short lifts I think you could mine there from \$2.25 to \$2.50 a ton.

Q If my recollection serves me right there was a Mr. Stevens, was there not?

A L. C. Stevens of Edmonton, yes. He made estimates of the cost of mining the Burns property.

Q And do you know the figure?

A I think it is somewhere around \$2.65 or \$2.68. That is the old conventional method of mining.

BY MR. FRAWLEY: What do you mean, room and pillar?

A Chutes and pillar.

BY THE CHAIRMAN: Was that as a mechanized mine?

A This system that I have in mind would be modified mechanization. We are using that system in Roslyn, Washington. I am not theorizing at all. Tom Murphy is using it there with under-cutters and also with duck-bills, and I think we can do it. He has revolutionized mining there at Roslyn.

Q Do you think with the conditions in the Burns mine that you could use the duck-bill loaders?

A I am quite certain we could, quite certain.

BY MR. McTAGUE: I take it, Mr. Evans, that you have examined the answers to the questionnaire of various people who have burned

samples of the coal from Burns mines?

A When I came east in June Mr. Brown turned those letters over to me and I looked at them very carefully and very critically because I didn't think you could get that Burns coal as far east as Toronto.

Q What do you mean by that?

A I couldn't conceive of that coal being shipped here in competition with Pennsylvania anthracite at that time, so I read those letters very carefully and as I say critically. I came to the conclusion that perhaps 80% of those people would be just as satisfied with Burns coal properly sized as they would be with anthracite. I have burned those low volatile coals all last winter and I found them to be very, very satisfactory. I set a fire in my stove about 10 o'clock Friday morning and it burned till 6 o'clock Saturday evening.

Q From Burns mine?

A No, the same type of coal. Thermometers at that time were down around 24 to 26 below zero, so I gave it a good burning test.

Q But have you made any tests yourself of the Burns coal?

A I did in '27. They had a big heater in there at that time and it burned very well.

BY COMMISSIONER MORRISON: It wasn't the modern Warm Morning heater?

A No.

BY MR. McTAGUE: I want to do what I can to get back at Mr. Morrison for his correction.

A He is loyal to Alberta.

Q But I think we used the term "average" there in referring to the coal and high moisture and so on. You are pretty familiar with the Alberta fields, as Mr. Morrison is, are you not?

A Not as familiar as he is. I will have to limit my definite knowledge of Alberta to the bituminous areas more so than the sub-bituminous or the magnetic areas. I know very little

personally. I have read the reports. I know they are higher in moisture the further from the mountains you get but I know very little from first-hand information.

Q Well now, may I just take you over the analysis which was made. In the appendix to the brief I notice that it is headed here: "From P. Burns' Property on Sheep Creek, Alberta. Sampled by Alexander Sharp, assayed 1 to 12 by J. O'Sullivan and 13 to 17 by A. L. McKillip." This is reproduced, is it not, from a report of yours?

A No, it is reproduced from Mr. Alexander Sharp's report.

Q And that was in 1915?

A '15.

Q And I take it that you consider Sharp a man of sufficient standing in his profession that you accepted it?

A Oh yes, he was a high grade mining engineer. He was British trained and then he had experience in Canada as well.

Q I suppose you have not made any analyses yourself?

A Not of the Burns, no, but I did some work south from the Burns property last winter.

Q That is the Ford property?

A That is the Ford property.

Q And sampled those very carefully?

A Sampled five beds that we had trenched to considerable depth and I didn't know at that time that I could have it done at Edmonton so I shipped them down to the United States Bureau of Mines at Washington, and since it was American capital going into that I felt they would want to get some U. S. Bureau of Mines results.

Q Are you familiar with what the Commissioners have mentioned, that there is a laboratory at Edmonton where records of analyses are made?

A I have since verified that and have found that they are doing excellent work there. I have forgotten the gentleman's name. He is a great friend of Mr. Greenfield.

BY MR. FRAWLEY: Mr. Stansfield.

A If I had known that they were doing it I would have had the work done at Edmonton instead of sending it down to Seattle. Here are some of the BTU's: 14180, 14414, 14254, 14210, 13618, 13727 and 14793, average over 14000. Now here are some--or those ~~are~~ ^{are} in there, the anthracites are in that list, are they?

BY MR. McTAGUE: Yes, I was going to ask you about that. What is in here, the anthracite analysis, where does that come from?

A That comes from a Canadian report that I have in my files, assembled by someone here for 1942 and 1943. They were taken in regular form and were made I believe in the Dominion laboratories; at least I got them from Canadian records. The BTU's there run 12,565; 12,542; 12,530; 12,280.

Q Generally speaking, may I ask your opinion of the quality of this coal so far as you have been able to ascertain it for domestic purposes in Ontario and Quebec?

A I would say it compares very favorably with the Pocahontas smokeless coal of Virginia, would serve the same purpose as that coal would, and I believe that would serve the purpose of the people of this part of Canada if they are not able to get the higher grade anthracite. I would prefer it to some of those anthracites coming in here now.

EXAMINED By Mr. Frawley.

Q I think you said, or Mr. McTague said, a moment ago that some samples had been sent to the fuel laboratories at Ottawa.

Are you aware of that?

A From the Burns property?

Q Yes. You don't know of any samples that went of the Burns property?

MR. BROWN: We sent none up. I don't know of anybody else, but we have not sent any.

BY MR. FRAWLEY: I find in the work that was done for us in the fuel laboratories in Ottawa that there are three low volatile

bituminous coal areas in Alberta. This is a low volatile bituminous coal, no doubt about that?

A Surely.

Q But this word "hard coal" is your invention?

A In this particular case.

Q But to expert coal people like myself this is low volatile bituminous?

A Yes sir.

Q That is according to the A.S.M.?

A Yes sir.

Q And those three areas are Highwood--that is yours and Mr. Ford's--and Canmore and Nordegg where the Brazeau Collieries are?

A That's right.

Q Talking of Highwood, I don't know whether that is Burns or Ford?

A No, that is the Ford coal.

BY COMMISSIONER McLAURIN: How do you know it is Ford coal they are dealing with?

A Because it would have been designated Sheep Creek had it been taken from Sheep Creek.

Q Are you acquainted with what Mr. Frawley is referring to?

A Yes sir.

Q You have never seen this document, have you?

A I don't know that I have.

BY MR. FRAWLEY: This is a recent tabulation of all the coals in Canada.

A I think I have read it within the last two or three months.

BY COMMISSIONER McLAURIN: Isn't Sheep Creek always designated the Highwood area?

A Designated separately.

Q Is it designated separately in the "Coal Areas of Alberta"?

A Yes sir. You will find Sheep Creek and also Highwood. They are two separate and distinct names.

BY MR. FRAWLEY: If my memory serves me Mr. Stevens puts the Burns coal in what he calls the Highwood area?

A Well, there are two different watersheds.

Q This is the analysis I have been given: Moisture--Cascade 1.5; Highwood, 1.5; Nordegg, 1.5; Ash--Cascade, 8.2; Highwood 14.3; Nordegg, 13.2. Volatile Matter--Cascade, 12.8; Highwood, 15.6; Nordegg, 15.6. Fixed Carbon--Cascade, 77.5; Highwood, 68.6; Nordegg, 67.9. Sulphur--Cascade, 0.7; Highwood, 0.6; Nordegg 0.5. Calorific Value or BTU per pound--Cascade, 13,910; Highwood, 12,765; Nordegg, 13,285. The Fusing Temperature of Ash--Cascade, 28.50 plus; Highwood, missing; Nordegg, 28.50 plus.

Now, again subject to this Highwood or not being your coal, it would look like you haven't any better coal than the Canmore company has?

A It is a little stronger in structure, Burns coal is.

Q Where would that be reflected in the analysis that I have read to you?

A Strength is not indicated there any place.

Q What you are talking about is something that is not in the analysis?

A I am speaking of the structure of the coal, the ability of the coal to stand up under rough usage.

Q You mean weathering?

BY COMMISSIONER MORRISON: Abrasion?

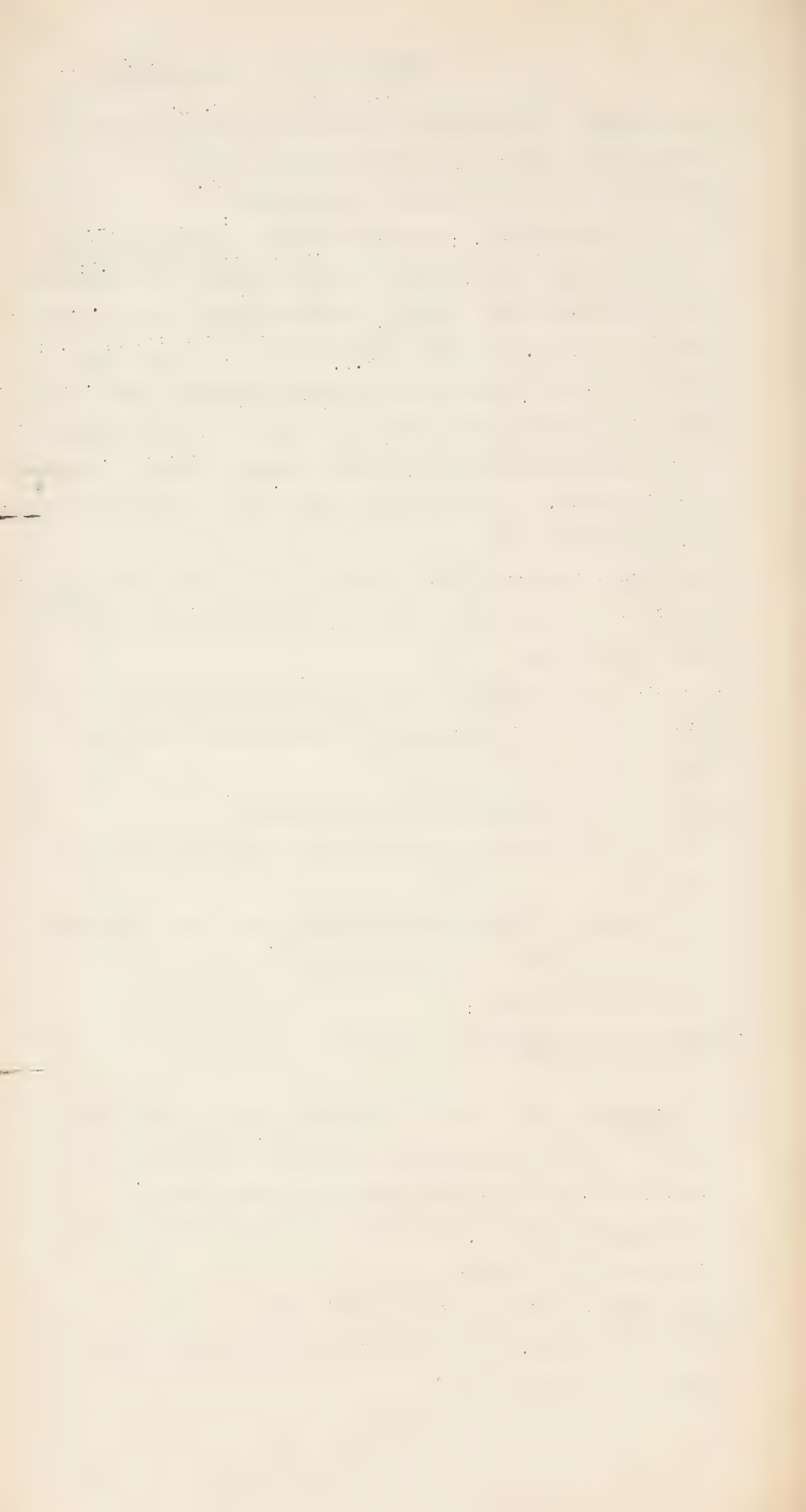
A Friability.

BY MR. FRAWLEY: This is what this report says on these three coals: "Storage and Handling Properties. Good storage, weather-resistant coals and generally quite friable."

BY THE CHAIRMAN: See if this gentleman has the same idea of friability as you have.

BY MR. FRAWLEY: What do you say about that?

A Well, he is speaking of the Highwood coal; didn't have the Burns coal in mind.



BY COMMISSIONER McLAURIN: You say that and yet you haven't seen this report. I take it you have not been in touch with the people that made that report?

A I read a report two or three months ago that probably was based on the same material this was.

Q But probably someone in Ottawa may have been analyzing Highwood coal?

A That is Highwood coal. There might be a difference here that in the Highwood examination they simply took the raw coal and analyzed that.

Q I am quite ready to have you say that our analysis was done on a better basis than this analysis was done, but I don't think you are in much of a position to know if you have not communicated with the people that made them?

A No, I have not.

BY MR. FRAWLEY: That is precisely my difficulty. I would be surprised if you had read this because this was prepared particularly for the Commission. I didn't think it had any distribution at all throughout the country. Do you think you ever saw that report?

A I believe I have seen material from which this report was made. Publications of the Alberta Department of Mines.

Q Oh yes, but this was prepared by Mr. Swartzman and the fuel laboratories in Ottawa.

A Well, I have not seen it.

Q About this case, I am very much interested in what you say, that you could do some underground mining of this coal. What do you think wage cost would be?

A As high as it is at the present time.

Q \$2.25 in 1944 in Alberta bituminous fields?

A Yes, but you would have a lot of labour there that we would not have in our revised system.

Q Do you think you can mine the coal for \$2.25 to \$2.50 over-all?

A I think so, with the new system.

BY THE CHAIRMAN: I am interested in knowing how.

A By getting away from a lot of the old expense in ventilation.

Q No, but there is the difficulty. You can't get away without ventilation.

A In new mines?

Q Well, you may for the first week or so.

A Did you ever drive rock tunnels parallel with the coal beds?

Q I never mined but I know something about it.

A You can drive rock tunnels. You don't have to retimber over these areas.

Q What kind of roofing have you got there, and bottoms?

A Shale and sandstone.

Q Yes, that is the difficulty of using the rock tunnel system there.

BY MR. FRAWLEY: You say that you examined the answers to the questionnaires which were sent out to a lot of people in Ontario very critically. Now with regard to the weathering qualities of the coal your conclusion would have to be found in the answer to question 3 which is, "Is the coal clean to handle?" My reading of the questionnaire sends me to that. Mr. Brown is making it more simple. There isn't anything in the questionnaire dealing with weathering. What do you know about the weathering qualities of this coal?

A I saw some lumps at the mouth of the tunnel in 1927 that they told me had been there for 12 years and they told me it was standing in very good shape.

Q I would be more interested in seeing it in dealers' yards in Ontario. Have you seen it?

A No. I would say this: I doubt very much if it would stand handling as well as the Pottsville anthracite will.

Q Will it weather as good as Drumheller coal?

A Oh my, yes, I think.

Q Let's be clear about that. You say it would weather just as

good as Drumheller?

A Very much better.

Q What experience have you got about that?

A Well, the general record of the coal among coal mining people is that it does break down after exposure to air for two or three months, it will break down very badly. That is the general reputation.

Q What coal are you speaking of now?

A Drumheller.

Q How will it weather compared with Canmore or Nordegg?

A Drumheller won't stand up as well as Canmore or Nordegg, but Nordegg and Canmore are two different coals. Canmore is a firmer coal than Nordegg.

BY COMMISSIONER MORRISON: Let's talk about comparable things.

How about Foothills coal, Mile 33, MacLeod River hard coal?

They are three distinct coals in the province of Alberta.

How would you compare this Highwood coal or Sheep Creek coal with that coal?

A I think the Sheep Creek would stand weathering even better than MacLeod River hard coal.

Q That is something I know something about. On what do you base your opinion?

A Well, I base it on moisture content. You have got 6, 7, 8% moisture in MacLeod River against 1 in this case. It is the evaporation of moisture that determines whether or not your coal will stand up.

Q And the texture, in some degree?

A Structure.

BY MR. FRAWLEY: I would like to ask some questions about what the company has done and what the company really want in the way of assistance, but perhaps Mr. Brown should answer those questions?

A That is out of my hands entirely. I am just a plain ordinary mining engineer. Financing is not my game.

Q You say Mr. Stevens made an estimate and arrived at a figure of \$2.65. Was that strip or underground?

A Underground.

Q And when did he make that estimate?

A I think last November.

Q So he would be talking about 1944 cost, and do you know how much wages he was going to pay?

A I read them in his report but I don't remember.

BY COMMISSIONER MORRISON: You didn't think he was going to get away with a low wage scale in that province, did you?

A I hope not.

Q How much cover have you on this property?

A The coal beds are standing from 55 to 90 and right on the outcrops. There is very shallow covers. Is that the cover you mean?

Q I mean the cover on the top of the mine? The pressure.

A 1000 or 1500 feet but it is not a vertical, it is a side pressure.

Q You wouldn't be in a position to know how much trouble you would have with gas?

A I am hoping that with the system you could adopt there, going from the outcrop down, that you could lead the gas off as you went down.

Q Highwood is really a continuation of the Cascade structure?

A No, it is different from Canmore.

Q Canmore is your closest mining area?

A Your closest operating mine.

Q And as a practical mining man you would expect to encounter some of the same difficulties that you would there?

A Only the structure of the coal beds are different.

Q But in all the bituminous mines they have encountered gas. You know that?

A All, and lots of it.

Q And it would be a reasonable assumption that you would encounter some gas in this venture at Highwood?

W.

G. W. Evans

- A I am speaking of the Burns now.
- Q All right, Sheep Creek then?
- A Oh yes, sure you will.
- Q And dealing with a gaseous condition is one that is very hard to estimate or blueprint the plans you make as to its cost?
- A Very true.
- Q So that while an engineer plots costs for the fellows who are going to finance a new property there is quite a lot of conjecture?
- A Yes sir.
- Q It is largely based on hope and conjecture?
- A Very true.
- Q And in those costs that you have prepared for your principals what allowance if any have you made for these extraordinary conditions that are met in every-day coal mining?
- A Oh, you would have to build up a contingency reserve as you went along.
- Q I am not going to start discussing reserves with you, but in the cost figure that you have given us have you made allowance for these emergencies that are met in every-day mining?
- A Yes, a reasonable amount.
- Q What would you call a reasonable amount?
- A Oh, 15, 20 per cent.
- Q And what does that cover? Hazards of all kinds?
- A Oh yes, the hazards of mining.
- Q So that if you had plain sailing then your costs would only be 20 per cent--your cost would be \$1.60 in an underground mine, 1500 feet of cover?
- A Well, I think you are losing sight of the fact that you would start down from the top.
- Q Yes, I followed you very carefully. As I see it you are going to do a little of what we term "glory-hole" mining from the top and then you are going to go down to the bottom and balance your cost with two different operations, and it is

only with the lower cost of extracting coal from the top that you arrive at those figures?

A Yes sir.

Q And even then you weren't very liberal with extraordinary expenditures?

A No, I didn't make much allowance there for accidents.

Q You were cutting pretty close to the line? And this seam of coal, is it free from bands of dirt? Is it fairly clean?

A No, there are several bands in each of them, but there are bands in there 12 to 15 feet, then you have another band 6 to 8 feet of clean coal.

Q But in this operation from the top, there is some of that going on in Alberta now as you know?

A Over at Coal Valley and also over at --

Q Luscar?

A Luscar, yes.

Q And it has been referred to as "glory-hole mining". That is a new term that you can add to your vocabulary.

A It was used up in Alaska years ago.

Q In that mine that you propose to work how much clean coal have you from the outcropping down to the point where you discontinue mining by that method and when you have reached the pint in the seam that you would leave to be taken from down below?

A I would estimate about 100 feet down from the outcrop.

Q And would that be clean coal?

A No, probably 20 per cent waste in there.

Q Now there has been some discrepancy. You said to Mr. Frawley that the analysis prepared by the Dominion Fuel Laboratory had something to do with the Ford mines?

A Yes, I did some trenching on the Ford property last winter and sent the samples just as we cut them out of the trench down to the U. S. Bureau of Mines at Seattle and had a float and sink made there, then we analyzed the floats.

Q That is how you have allowed for the discrepancy in the figures that you put on the record, which were from the Burns mine, and the figures submitted by Mr. Frawley that you suspected were from the Ford mine?

A Yes.

EXAMINED By COMMISSIONER McLAURIN.

Q Has there been an analysis by the Provincial Government, by Mr. Stansfield, of the Burns coal?

A I don't know, I am sure.

Q Well, haven't you taken the trouble to find out what that Department has available to you? Wouldn't you want to check your analysis with that? You haven't done it anyway?

A No, I have not done it.

Q And if their analysis of the Burns property doesn't agree with you you are in no position to explain why they would be different? And you are acquainted with the Ford property?

A Yes sir.

Q It is the adjoining property?

A It is the southern continuation of the Burns property.

Q Is the coal as good in the Ford property as in this property?

A Yes. There are four beds in there. I think the analyses would be quite comparable.

Q Therefore if the Ford property can be opened up they can produce for the market the same kind of product as is produced on the Burns property?

A No, the structure of the coal appears to be different. It is not as strong, would not stand the handling and weathering that the Burns would.

Q Otherwise they would be the same?

A Almost identical.

Q You say that the coal on the Burns property is inferior to the Canmore coal?

A No.

Q About the same?

A About the same, except that the structure is stronger.

Canmore is very high grade coal.

BY COMMISSIONER MORRISON: It is not the average that Mr. Mc-Tague was talking about?

BY COMMISSIONER McLAURIN: What about the Crows Nest Pass coal?

A Michel coal is high grade but the structure there again is not as strong as the Burns, and the same is true of Fernie coal, not quite as good as Michel either in structure or analysis.

Q There is a certain trend of friability that runs through all our western bituminous coals?

A Unfortunately, yes.

Q And you say that the only place where that friability does not exist is on this Burns property, that you know of?

A That is limited to some of the lower beds; doesn't go through the entire coal series.

Q The characteristic friability is to be found in the Ford property?

A Yes sir.

BY MR. FRAWLEY: Do I understand from that that you won't find this strong coal all through your property?

A No, only in the lower beds.

Q Well, will you meet it and leave it and meet it?

A No, I think it is fairly uniform throughout the greater length. It is more a condition of the lower measures rather than weak spots. I think you will find it along for 10 miles in the lower parts of the series.

Q And your proposal would be to sell only that coal for shipment to Ontario?

A Oh yes.

Q And you would abandon the other coal?

A Oh no, there is some good coking coal on top.

Q You would sell that coal on the prairies and send the strong coal to Ontario, would that be the plan?

A I think you misunderstood my statement. These coal beds are 1500 feet across. The upper beds are coking bituminous. You will find good coking coal up near the top. I would use those coals for locomotive coals.

BY THE CHAIRMAN: But your brief says they are no good for coking.

A Well, there is a difference between a coking coal used for locomotive purposes and using coal for making coke for commercial use. That is entirely different, but locomotives like to have a coal that will coke as it hits the firebox.

BY COMMISSIONER McLAURIN: Do you contemplate that conditions are such at this mine that the entire output could reach Ontario, or would some be sold locally?

A I would say a great part of it would find its way down into the Pacific North-West.

Q You now say the Pacific North-West?

A I would say a portion of it.

Q What do you mean by a portion? You know we are only sending 600,000 tons down there now and in peacetime it was under 300,000. I know a few men from Wyoming and Utah that might be in there pitching for their coal.

A They are moving some from Wyoming, 10,000 BTU and extremely smoky. It has no business being shipped up into the Pacific North-West.

Q No business being there but it is there, and they have a man per day production that exceeds anything we have.

A I know this fuel, and I know other fuels are terribly smoky and would be ruled out of this field.

Q As a Western Canadian I am all for Alberta coal, but mere chatter about a market there is not securing a market, and in the light of what we have done in the past and what some efficient operators have attempted to do, what do you suggest that we may have as a market there, having regard to

what has already been accomplished?

A I would say 300,000 to 600,000 tons with that hard coal.

Q In addition to what is already marketed there now?

A Yes sir.

BY MR. FRAWLEY: Industrial or domestic?

A Domestic, very largely.

Q Do you think you could beat the Utah costs?

A We have a shorter haul, only 350 to 400 miles compared to their 1,000 mile haul.

Q It is just dollars and cents. Do you think you could displace that coal in the Pacific North-West?

A Some of it, yes.

BY COMMISSIONER MORRISON: There is no question we have a better coal.

A Oh, I'll say you have.

BY COMMISSIONER McLAURIN: That is not the only factor in getting markets. Estevan coal forced out Alberta coal.

A It will take time to build up those markets.

Q What has happened in Manitoba, Alberta had built up a market and has lost it to a poorer grade coal, to some extent.

RE-EXAMINED By Mr. McTague.

Q We were referring to cost of producing this coal and I think you gave a figure of \$2.25 to \$2.50, was it?

A Short lift, yes.

Q Have you got that broken down in any manner?

A No, I have not.

Q Well, Mr. Frawley asked a question about the wages. They appeared to be, according to the question, some \$2.50 per ton across the board in Alberta, is that correct?

BY MR. FRAWLEY: \$2.25, Alberta bituminous.

A Of course some are old mines that require a terrific amount of repair work, a terrific amount of pumping. They have got long haulages down there, a gaseous zone where you could use only a certain type of haulage, a lot of handicaps that you

would not have on this property for many years. You would eventually have it, yes. As far as wages are concerned, you can still pay the going rate of wages as long as you get production. I hope to pay a better wage than they are paying now. I think we could pay just as good wages as are being paid at the present time and still make a good margin of profit for many years. When you get down in here you have got this terrific head above you, then your costs are going to be comparable to your present costs.

Q Well, let me ask you--you brought it up yourself--what about your theory as to wages? How do you ---?

A Well, I am probably a little bit more liberal than a lot of mining men. I believe in good wages, have always paid good wages. A lot of the other operators would also pay good wages if the property would permit them to pay good wages.

Q At any rate you haven't got a detailed breakdown of your estimate?

A No, I have not.

BY COMMISSIONER MORRISON: Have you made an estimate as to what your output per man day would be in arriving at those wages?

A I would say 5 to 6 tons per man day for all men employed, and those we have there when we are stripping off, 20, 30 and 40 tons. That is on the surface.

BY MR. FRAWLEY: You told Mr. McTague you haven't got a breakdown of your 2.25 or \$2.50, but assuming that the average wage in the bituminous field in Alberta in 1944 was \$2.25 per ton what do you think you could get it out for, wages?

A May I refer to some figures here? I can't keep those figures always in mind. You are referring to labour costs?

Q Yes?

A About \$1.50.

Q As against \$2.25 they are now paying in general bituminous fields?

A Yes sir.

- Q Take the present U.M.W. wages scales. What is this 5 to 6 tons per man per day that you think you could accomplish? That is on your stripping, of course?
- A Yes, that is stripping.
- Q After you got into this short lift operation what would it be?
- A Well, I would combine the stripping with the short lift.
- Q And you think you could make it 5 to 6?
- A Yes.
- Q Do you combine your costs in the same way? When you say you think you could take it out at \$1.50 you are running the two together?
- A Both of them; make the stripping carry part of the short lift system.
- Q What would you use, a drag line?
- A Yes sir.

4.40 P.M. - COMMISSION ADJOURNED

ROYAL COMMISSION ON COAL

Toronto, Ont., Tuesday, August 14th, 1945

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ROYAL COMMISSION ON COAL

Toronto, Ont., Tuesday, August 14, 1945

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ROYAL COMMISSION ON COAL

Toronto, Ont.,
August 14th, 1945.

The Royal Commission on Coal convened at the City Hall, Toronto, Ont., at 10.00 A.M. on Tuesday, August 14th, 1945.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
R. D. Howland, Secretary.

MR. FRAWLEY: Mr. Chairman, I want first to say that I had been suggesting to Mr. Evans yesterday evening that the analysis given for the Highwood area in the booklet that was prepared for us called "Canadian Coals, Their Classification, Analysis and General Characteristics," by the Dominion Fuel Laboratories, that the analysis shown for Highwood area was an analysis of the Burns coal. I telephoned to Ottawa after I left and I now find that the analyses given for Highwood area coals do not comprise either the Burns coal or the Ford coal, but other coals in that same area, but I have also now got the booklet prepared by the Research Council of Alberta and I find that under the heading of "Highwood Area" this is what is said:

"This area has so far been little developed, but if given railway connection the Calgary-Macleod branch of the Canadian Pacific Railway might become an important producer.

"The coal is a short flame, bituminous, steam coal; weather resistant. It is, according to Canadian classification, Low Volatile Bituminous.

"Data with regard to the seams, and locations of prospects, are given in Research Council of Alberta Report No. 34

(1943) Part V, page 171.

"No mine was operated in 1943.

"Map 43 shows the location of all recorded mines opened, and also indicates the mines from which samples have been obtained.

Typical Analyses

<u>Proximate</u>		<u>Ultimate (with 1.8% moisture)</u>
Moisture.....	% 1.8	Carbon..... % 77.3
Ash.....	% 12.3	Hydrogen..... % 4.1
Volatile matter.....	% 16.3	Sulphur..... % 0.6
Fixed carbon.....	% 69.6	Nitrogen..... % 1.1
		Oxygen..... % 4.6
		Ash..... % 12.3

Fuel ratio (FC/VM), 4.3

Calorific value, gross, in BTU per lb., 13,360.

The net calorific value of the coal is approximately 370 BTU per lb. lower than the gross value.

Modified Proximate Analysis

"The following equations are provided to enable operators to tender on coals with moisture or ash differing from those of the typical analysis. See page 28 for method of use."

Now that is all we have at the moment.

BY COMMISSIONER MORRISON: What is the BTU again?

BY MR. FRAWLEY: The BTU here is 13,360 and the map, a small map which accompanies these remarks indicates that the samples were taken on the Sheep Creek, but now to put the matter beyond any doubt, and to not get into any idle controversy as to whether it is Burns or Ford coal they are talking about, I have wired to the Research Council of Alberta to let me know what analyses they have on Burns coal or Ford coal, and if they have no analyses I will see that before ^{this} Commission is finished there will be a full analysis of the Burns coal put before this Commission.

MERVYN BROWN Sworn. Examined by Mr. McTague.

Q You are Mr. Mervyn Brown?

A Right.

Q And I believe you are chairman of the board of Allied Industrials Limited?

A Correct.

Q Now regarding the Burns property that we have been speaking about, what is the nature of the title of Allied Industrials Limited?

A We have a lease from the Burns Foundation on the property.

Q A lease from the Burns Foundation?

A Or the P. Burns Coal Mines Limited, which is the exact terms of the contract. It is controlled by the Burns Foundation.

Q You speak in your brief of coal deposits amounting to 300,000 tons above water level --

A 300,000,000.

Q Or 300,000,000 and 300,000,000 tons below water level. In that connection--perhaps I should have asked Mr. Evans this yesterday. We had evidence that there had been a good deal of engineering work, or some engineering work, done on this property as far back, as I recall the evidence, by Mr. Sharp in 1915, then there were others in 1918 and 1927. From that

it would appear that the quantity of coal was probably well known for a long time back. Would that be so?

A The discovery of the property I think was made by John Brown or some others about the year 1904. The report that was made to the Court yesterday by Mr. Evans in respect to the analysis was made by Mr. Sharp, a very well known engineer of repute both in the Old Country and Canada, who I believe spent some years on the property and carried out fairly exhaustive tests in respect to the quality of the coal. Prior to 1919 Mr. Patrick Burns--Senator Burns--I am informed by representatives of their existing company, the Foundation, spent something in the order of half a million dollars in opening tunnels throughout the property to determine not only the quality but the quantity and the volume of the coal. In 1918 they brought in an engineer from West Virginia by the name of Mr. Cunningham, whose report I have in my possession. Mr. Cunningham spent many weeks on that property and his report was referred to yesterday by Mr. Evans. He gives a volume of coal very much in excess of the figures quoted by Mr. Evans, who I must say from my association with him, my company's association, I have found to be ultra-conservative, but the figures on volume set out in the report of Mr. Cunningham, who I believe, according to Mr. Evans, is one of the half-dozen outstanding engineers of his time in the United States, gives a volume two or three times as great as that indicated in the report of Mr. George Watkin Evans, but I must emphasize that this property has been thoroughly prospected and a tunnel has been driven through the coal measures for about half-a-mile, and that these openings have been looked at and examined by three engineers of very high repute, Mr. Sharp, Mr. Cunningham and Mr. George Watkin Evans whose report I feel certain, Mr. Chairman, you can rely upon.

BY THE CHAIRMAN: Did they make a geological survey to ascertain what the reserves consist of?

A I will let Mr. Evans answer that question, if he will.

MR. EVANS: Yes, Mr. Sharp made a geological survey in 1915, to be followed by a much more thorough survey by Mr. Cunningham in 1917-18.

BY THE CHAIRMAN: We have those reports?

MR. BROWN: I have them here.

MR. EVANS: We have the maps.

BY MR. McTAGUE: May I have the copies?

MR. BROWN: I haven't copies made of it. This is the original copy that I got from the Burns Company. I can have copies made of it if the Court would like to have them.

BY MR. FRAWLEY: The Court should have the original.

MR. BROWN: We have negotiations on with the Government within the next few days, as you know, and we need these reports, but I would be glad to have a certified copy made of it and put on your record if required.

BY MR. McTAGUE: You speak in your brief of a good deal of money that has been expended on research by your company. Do you wish to say anything in that regard?

A Yes, I do, Mr. Justice. I would like the Court to know why we took an interest in this project. On about--please don't hold me to this exact date, but it is a public matter and can be put on your files later--the Government of the Province of Ontario appointed a Fuel Commission to go into the question of supply for Ontario householders. The Commission was to look into the question of lignite, peat and other substitutes that might be available within this province. For a great many years myself and associates have been interested in the peat industry. We had spent something in the order of \$150,000 on research in Ontario and Quebec on peat fuel, my British associates and myself. We knew the approximate quantity; we had drilled over 75,000 acres of peat-bog land in these two provinces and put down several hundred drill holes. We knew of the quantity and the quality. We shipped

hundreds of samples to England to have them tested through our laboratory. We therefore knew a year and a half ago without any doubt as to how far the peat fuel industry could substitute for coal in this province. We had built several plants, our associates had, in Europe. We knew that peat would not take the place of the large coal consumption of Ontario and Quebec, which in the last few years has aggregated in the order of six and a quarter million tons a year. When the Premier of this province announced the appointment of a Commission with a view of trying to solve the fuel problems of Ontario I went West to consult the Government of the province of Alberta and held meetings with the Ministers. I asked the Ministers, the responsible Ministers, of the Government what fuel existed, what coal existed in the province of Alberta that would take the place of anthracite and Pocahontas fuels in the province of Ontario. I told the Ministers that while I was Mayor of Medicine Hat in 1920 that I had played a leading part in the formation of the Research Council of Alberta, which I organized and got the Government to put in the first \$25,000 to carry on research work. I served on that committee for a year and the first resolution that was passed by that committee--I am going now 25 years back because it has a bearing on this very question we are dealing with today--was one which I made myself that we should investigate to see whether Alberta coals could be marketed beyond the confines of the then existing markets. Manitoba was then importing 90% of anthracite and using 10% of Alberta coal. We decided to send Mr. Harold Strasbury into that market to try and increase the output of Alberta coal. Within five years--I have the statistics with me--there was 90% of Alberta coal that went into the market in Manitoba and only 10% of anthracite. In other words the order was practically reversed. I recited this condition to the Prime Minister and Minister of Mines in the province of Alberta and told them I thought if a high grade coal could be found in the province of Alberta

which would compete with anthracite and Pocahontas fuel in Ontario that a wide market could be established in Ontario and in Quebec. I was informed that two of the largest mines in Alberta were the Burns mine and the Ford mine, which was of a very high quality fuel. I then undertook to see if we could bring about the development of either one of these properties and we arranged with the Burns Foundation, or the P. Burns Coal Mines Limited, to give us the right for a period of months to explore this area without cost, which we did at a considerable cost to ourselves. We carried out research work for about a year and a half. We have expended in that endeavor something in the order of \$100,000 and we have discovered that so far as the records of the Burns Company go--we have some of their reports that were made in 1915, 1918 and 1920, none of that coal had ever been shipped to the province of Ontario to practically determine its comparable value to anthracite in the Ontario market, and that was one of the most important features to be carried out in the research plan. After all, if you can't get the householders to use the coal, no matter what the analysis may be then money is wasted in developing the area, but we have proven, and I have the book here in front of me, and I wish to refer now to a remark made by the Chairman yesterday, which was made I am sure in all good faith. He asked if we brought down the first, or some 3 or 4 tons of this coal from a mine stripping area, and we brought down this spring 14½ tons, which was sufficient to make adequate tests throughout several towns and cities in this province. There was no canvass made of the individual householder by any representative of our company. We distributed this coal through the ordinary channels of trade through about 15 coal dealers, one of the largest in the city of Toronto, that is the Milne Coal Company who have a very wide distribution in this area, and this coal went into about 50 to 60 homes. I don't know

personally a single householder that has made a report. We sent them a questionnaire in the ordinary way and the record that has been placed on your file, Mr. Chairman, is one that is completely independent so far as we know. That was done in the regular way through coal channels, without any educational policy in advance of these tests, and I think they can be fully relied upon. Now I think it is important for you to know, and important for the public to know, that approximately 80% of the tests that were made by householders and coal dealers in this province from that 12 or 13 tons--we still have a ton of it on hand which you can have to make tests with if you would like, or any part of it you wish--that about 80% of the people that used that fuel have stated in these replies that the coal is practically smokeless, that it is an efficient equivalent or better than anthracite, and that is a remarkable test without an educational campaign to tell the people how to burn it preceding the tests that were made. That, Mr. Chairman, is a general statement of our interest in this matter and the efforts that we have made up to date. I will be glad to answer any questions.

- Q Now you have anticipated me a good deal. You have answered many questions I was going to ask you, but how many tons did you say had been brought down for the purpose of working out these tests?
- A $14\frac{1}{2}$ tons this year and about 3 to 4 tons last year.
- Q And to how many householders did the coal go?
- A About 60; 30 in the city of Toronto and the balance in cities and towns surrounding Toronto.
- Q Now, Mr. Brown, about markets for this coal. If this property can be brought into commercial production what are your plans in respect to that?
- A Do you mean the technical plans or financial plans?
- Q Oh no, general plans with respect to marketing the coal?

A Well, this is my view, and I would submit this as an individual view rather than a corporation view. I lived in Alberta 16 years, or 15 years, and took a fairly active interest in the development of that province and gave some 10 years of that time to public service. I am very much interested in maintaining a solid and sound economy in the province of Alberta. I was born in the Maritimes and I know something about Maritime Rights, and I also know ---

BY THE CHAIRMAN: That doesn't do you any harm.

A That doesn't what?

Q That doesn't do you any harm to have been born in the Maritimes.

A Well, Mr. Chairman, I wasn't born so many miles away from you. I hold this view, Mr. Chairman, that I suggested a year and a half ago to this Government in the province of Ontario, that we should favorably consider a zoning system, and I know that the Nova Scotia Government has made a submission to your Board in favor of something along that line.

Q Well, wasn't there a zone made when subventions became a reality?

A Not to the extent that I have in mind. What I have in mind is this, that in the West you have tremendous areas of coal in Alberta--10% of the world's supply, they claim--and you have a large number of mines, possibly in the opinion of many, more mines open than can find a proper market for their merchandise. Now I would favor personally that the Western market be left to the Western mines now open and that the high grade coal from this area, and I would include the Canmore mine as well, such as they may have to ship to Eastern Canada be transported to Ontario and Quebec. In other words, the low grade fuels--and when I say low grade I mean those high in moisture content and low in BTU, such as 9,000, 10,000, 11,000 BTU--that that coal be sold in an area not too far removed from the mining area, and when you are going to

transport coal across two-thirds of a continent, 2,000, 2,500 miles, that you ship only as far as possible condensed heat, not water. You are shipping now, as we pointed out in our brief, 15 to 18 per cent water across 2,000 to 2,500 miles of territory. I say let those fuels find their market in the more local area and the high grade fuels, with high BTU and low moisture content be shipped to the Central Provinces, the coal-less provinces of Ontario and Quebec. Now I say that because we were anxious in 1920, when I was in public office in the West, to get the Ontario market as well as the Manitoba market for Alberta coals, but we have to admit that prior to this war that campaign utterly failed. As I pointed out in this brief, out of roughly 6,000,000 tons of fuel consumed in this province, only about 41,000 tons in the 12 years prior to the war came from Alberta. I am talking now of domestic coal, per annum, and I made a thorough investigation; it was not casual; this has been done over a period of 10 years. The reasons why the Drumheller and the lower grade fuels in that province will not market in Ontario in competition with anthracite and Pocahontas fuels are because: (1), of the high moisture content and the degradation that occurs in storage, and (2) because of the price factor in the highly competitive areas of Toronto and Hamilton, where probably one and a quarter million of the six million tons of coal is consumed in the province, highly competitive, and those Western coals have never entered the Toronto or Hamilton market to any extent because the price factor and the storage factor was against those fuels. Now I may be wrong ---

BY THE CHAIRMAN: I suppose we have it some place, but do you know how far east Alberta coals came in the province of Ontario?

A Oh, it has been tested as far east as Ottawa.

Q I mean in quantity?

4 I would say no quantity to Toronto or east of Toronto. I have with me on file a statement, if the Alberta Government will release it, showing the exact points and quantities that were shipped into Ontario in 1941.

BY THE CHAIRMAN: Mr. Morrison tells me we have that information here.

4 So that in answer, Mr. Justice McTague, to your question of markets, that is my personal idea in regard to a marketing program, and I think that will result in a lower cost to the Treasury of Canada. Now may I just dwell a minute longer on the question of prices, because I think the public are interested in two things in Ontario. They are first interested in getting a coal that will be competitive in use with anthracite and Pocahontas fuel. They are interested in a steady supply and the price factor must be at least comparable. Now what is the price factor? Mr. Evans submitted to you evidence yesterday and statements to the effect that this coal in the Burns area in his opinion could be mined for approximately \$1.50 for strip mining and \$2.25 to \$3.00 for underground mining. Now I am not concerned in my statement to this Court with the \$1.50 price or the \$2.25 price. I am concerned with the high figure of \$3.00 and I am going to take that as a basis. Let's be conservative. And we have on our files a statement that was put in yesterday by one of the leading consulting engineers of Alberta that coal can be mined in this area at \$2.65 a ton underground, no stripping at all.

BY MR. FRAWLEY: Will you have the Stevens report to file for us?

4 I will be glad to let you have a copy. I have it in my bag. So the \$3.00 you can consider sufficient margin for accidents or any emergencies. Add to that \$5.50, the net freight rate with subventions of \$2.50, which brings it to Ontario at \$8.50. Add to the \$8.50, \$1.00 a ton for mining profit, which would seem to be a reasonable figure. That would bring it up to \$9.50.

BY COMMISSIONER MORRISON: A dollar a ton?

A Yes. I am not suggesting that we are going to charge a dollar a ton; I am trying to give you conservative estimates.

Q I know a lot of companies that would be glad to get half of that.

A The coal arrives at the market at \$9.50, and \$3.00 I would think would be the average distributing figure in this province or a little higher. That makes \$12.50.

BY THE CHAIRMAN: What did you put the transportation at?

A \$5.50 a ton.

Q That takes into account the subvention?

A Yes. Now let's relate that to the existing price, and I have put on the record a statement showing that the prevailing anthracite price in 117 towns and cities in Ontario is about \$16.24. But that is not the whole story. That is only part of the story. The coal dealers, or the coal importers of this province are now subsidized by the Federal treasury to the extent of \$1.50 to \$2.00 on the importation of American coal, so directly or indirectly the consumers of this province and the people of Canada are paying \$6.25 plus \$1.50 to \$2.00 subsidy to American miners.

BY MR. McTAGUE: You mean \$16.25?

A \$16.25, plus \$1.50 to \$2.00 on anthracite coal coming into this province for domestic consumption.

BY THE CHAIRMAN: That condition did not exist previous to the war?

A That is correct.

Q And you don't think it will exist after the war?

A I don't suggest that it will, but I also suggest that it is not probable, in the light of social trends in the United States and Great Britain and this country, that the cost of fuel is going to be lower because of reduced wages. Therefore I think it is safe to assume that the \$16.24 price will not maintain but there will be a higher price due to the

increased wages in the United States, which will not be reduced. In other words, I think you are facing \$17 anthracite prices in this province when the subsidy is removed. Now against that, coal from the Burns property can be mined, shipped under subvention to this province and distribution charges paid at something in the order of \$12.50 to \$13.00.

BY COMMISSIONER McLURIN: If that is your price why do you need the subventions at all?

- A For a very good reason. It is important to our national economy that a great volume of Alberta coal be shipped into this province. If the subvention does not remain, then we will not have the advantage for the first number of years at least of that lower figure in order to get volume production and volume sales, but may I ask you this: Inasmuch as the provinces of Ontario and Quebec pay 80% of the Canadian taxes if we take the \$2.50 subvention it will be \$2.00 in taxes to the two central provinces of Ontario and Quebec. If we take \$2.50 out of one pocket and put \$2.00 in the other the loss is not very serious to the taxpayers of Canada.
- Q How about the profit of \$4.50 in the spread between \$12.50 and \$17.00? Why shouldn't the consumer get the benefit of that?
- A I am in favor of a restricted and a limited profit to those who develop this mining area and my submission to the Federal Government and Mr. Howe indicates that. I believe in our industry, capital should get a fair return, labour a high wage, and living conditions be equal to other industries.
- Q Well, you provide for your dollar.
- A I think the public of Ontario should be given whatever reduction is possible in the light of that situation.
- Q Well, why not say to the Federal Government, the \$2.50 should be added to the \$12.50 and still undersell anthracite prices by \$1.50?
- A That is a matter that will be up in the next few days, I hope,

with the Coal Board of Canada. We have submitted only a very general brief to Mr. Howe and we have been invited to meet the Chairman of the Coal Board next week and we propose discussing with him fully the very points that you have raised this morning.

Q Why didn't you in your submission to us admit that you could forego the subvention of \$2.50?

A Because I don't think it is in the public interest so to do.

BY MR. FRAWLEY: What does that mean, Mr. Brown?

A It means this, Mr. Solicitor, that for over 40 years Alberta has been living under a high tariff in Canada and importing, if I may use that term, which is not a correct term, from the central provinces their manufactured goods and paying very high duty, and the subvention on Alberta coal to those provinces of \$2.50 a ton is nothing more or less than an offset to duties, and the same applies to Nova Scotia coal coming into those provinces, and I don't think it is unreasonable that that subvention exists and should be maintained and standardized over a period of years.

BY COMMISSIONER McLAURIN: That's fine when you are using the water-laden coals, but your coal doesn't ---

A All right, time will tell, but let us not be precipitate. I am trying to make conservative statements and not those which can be questioned two or three years from now.

BY MR. McTAGUE: You are only setting up figures. You are not taking a dollar a ton profit right now?

A We are not taking it yet.

BY COMMISSIONER McLAURIN: He has got it in his figure.

BY MR. McTAGUE: Of course I suppose you would arrive at the same exactly if you had put in 25 cents a ton, but then it is only a figure.

BY COMMISSIONER McLAURIN: Oh well, we have got to assume that there is some foundation for those estimates.

MR. BROWN: Mr. McLaurin, may I ask a question? Do you dispute the cost estimates given by four prominent engineers?

BY COMMISSIONER McLURIN: I am not either disputing or rejecting it. It is your submission and the only criticism I am offering is on your own figures.

- A. On what basis? I don't quite understand your criticism.
- Q. You have got a total cost here of \$12.50, including \$1.00 profit per ton and \$3.00 dealer's spread. You say you have a fuel comparable to American anthracite which sells at \$16.24 and you are still submitting to this Commission that we should make a recommendation that the subvention of \$2.50 should be continued. Now if we are going to have an economically developed market it seems to me that on your figures you should at least be willing to make a submission to us that you will forego the \$2.50 subvention.
- A. You mean we should forego it and the other mines in Alberta not forego it?
- Q. Your submission is that there should be a zone and yours would be the only coal coming in?
- A. I have nothing to add to what I have said except that I have given cost figures based on the ablest engineers we could find.
- Q. I am not complaining of your cost figures. The argument is proceeding on an absolute acceptance of the figures you have offered.

BY MR. McTAGUE: I take it part of the so-called profit and everything else can be passed along to the consumer?

- A. Certainly.
- Q. Now then, you have indicated to me that you felt it was not advisable to discuss in any detailed way in public the financial proposals which you have been making to the Government but in substance they are contained in a brief filed with Mr. Howe, of which a copy is on file with the Commission here now. Do you wish to change that attitude? Do you wish to discuss that matter or not?

A I was informed before coming here, and I am acting under the guidance of a board of directors, that this Commission was not concerned with finance, as to how this mine might or might not be financed. What they were concerned in was to find out the quantity and quality of the coal and matters of that nature rather than finance, and inasmuch as we have a submission now in the hands of Mr. Howe I think, Mr. Chairman, that I might be treading on corns, if I may use that phrase, if we disclosed our financial proposals publicly before we have received a reply from the Minister.

BY COMMISSIONER MORRISON: Evidently you didn't see the questionnaire dealing with finance that we have sent out to all the coal operating companies in Canada?

A Well, we are not a coal operating company.

Q You hope to be?

BY COMMISSIONER McLAURIN: You have marketed 16½ tons in Ontario.

A Let me say in answer that I think that if many of the coal companies in Canada, some of which are opposing this plan very bitterly, to open this mine, had spent the same amount of money in research that we have spent before we asked the public or the Government or anybody else to put in any major capital, there would be many of the mines in Canada not now open and a burden on the people of this country. I am making the statement now on behalf of my board that the expenditure relating to the development of this property is in the order of \$100,000.

BY COMMISSIONER McLAURIN: We will have all that in the form of information answering the questionnaire.

A If it is required.

BY MR. FRAWLEY: Oh yes, it will be required.

BY MR. McTAGUE: Well then, Mr. Brown, a last question. Can you state to the Commission in definite language what you are asking from them in this submission, or as a result of this submission?

A Well, in the light of the existing emergency our brief deals with two phases of the fuel question: (1) the existing emergency, and (2) a long term national fuel policy for Canada. I don't know how far this Commission feels inclined to have been instructed to make recommendations to the Government in respect to the emergency, but inasmuch as our submission indicates to you that we think it practicable, so shall I say possible, to get out some tonnage to deal with the emergency now existing, which we regard as serious and grave, and I think it would be in the public interest for this Commission to say to the Government at Ottawa, We think that the Government should take every step possible to lend every reasonable assistance required to bring this mine into the earliest possible production to help to take care of the emergency that exists in this province. We are not asking for any specific recommendation but we feel sure, Mr. Chairman, that if such a submission came from this Commission to the Government of Canada that it would not take so long to get the necessary action to get going on this development.

BY THE CHAIRMAN: Talking about emergencies, isn't there always a national emergency in Canada regarding fuel?

A Well, I have known of it for a great many years.

Q Well, I mean to say there is an emergency in anything that we haven't got a sufficient supply of. Isn't that an emergency?

A Yes, it is an emergency to a point, but what we have come to know as an emergency today is one where Mr. Howe said in 1942 and 1943, "People in this province have burned doors and floors to heat their homes."

Q That was more in the nature of a catastrophe than an emergency, but what I have always preached in this country--not in a religious way--is that we are always under the cloud of an emergency in this Canada when it comes to a supply of fuel.

A I agree with you, and we will always be there until we have a national fuel policy.

BY MR. FRAWLEY: This is Crown coal, is it?

A Part of it is Crown, part of it leased.

Q Isn't it all Crown coal?

A Now I will have to take my memory on that; I am not sure.

There is some leased, some school lands in the property.

Q That is still Province of Alberta coal? You don't lease this coal from anybody but the Province of Alberta?

A Our lease is from P. Burns Company Ltd.

Q Can't you tell me whether it is held by the Crown in the right of the Province of Alberta?

A Well, I presume that it is all held by the Government of Alberta.

Q Now it is leased by the Crown in the right of the Province of Alberta to whom?

A Well, I think there is a certain amount of freehold there. I haven't gone into that question as it didn't concern us as we were dealing with a responsible company.

Q You stated that you went to see the Premier and the Minister of Mines?

A Right.

Q Why did you go to them?

A I explained in my evidence.

Q It won't take long to tell me again. Why did you go to see those gentlemen?

A I went to see them to ascertain if there was a high grade fuel in the Province of Alberta that could be mined that would compete in this province with anthracite and Pocahontas fuel.

Q And did you find out?

A I never discussed at any time with either the Premier or the Minister of Mines the question of leases.

Q You didn't go to them as owners of the coal?

A Oh no.

Q So you don't know whether that is all Crown land or not?

A I haven't the record in front of me.

Q But you do hold from P. Burns Company Limited?

A Right.

Q Now does the P. Burns Company join with you in making this submission to this Commission?

A No.

BY THE CHAIRMAN: They can't very well if they have leased all their property.

BY MR. FRAWLEY: I think the Commission should be interested to know.

BY THE CHAIRMAN: Oh yes.

BY MR. FRAWLEY: Whether or not the P. Burns Company Ltd. is any party to the application either to the Minister of Reconstruction or to this Commission?

A My answer is in the negative.

Q What is the relationship between P. Burns and Allied Industries?

A Allied have a lease on this property from P. Burns Coal Mines.

Q Will you--not immediately of course--file a certified copy of that lease with us?

A Well, I presume you can order me to do so but I haven't got the approval of the P. Burns Coal Mines Ltd. to do it, and if they approve, or if you order it, I will do it.

Q I think if you just tell them that the Commission has asked for it that it will be all right.

A All right.

(Page 3066 follows)

S.

-3066-

Mervyn Brown

Q. Now then, there is no other relationship that we should know about? It is from P. Burns to Allied Industries Limited?

A. Right.

Q. What is Allied Industries Limited?

A. It was formed for the purpose of carrying out this research that I referred to some time ago.

Q. Their interests are wholly restricted to the exploration and development of coal operations?

A. And we have done, and will do possibly a certain amount of research on other types of fuel.

Q. Is it Federal?

A. No, Provincial.

Q. Incorporated where?

A. In the Province of Ontario.

Q. Will you file a list of the Directors, Officers and Shareholders, with the Commission?

A. With pleasure.

Q. The P. Burns has left it to you through this sub-lease, or Assignment, or Lease, or whatever you call it -

A. We have a sub-lease. We have a lease, it is not called a sub-lease in our contract. It is a lease.

Q. Are there any other companies?

A. Not that I know of, that is, concerned in the lease.

Q. Or in the exploration or development of the property?

A. Yes.

Q. What other companies?

A. Calmont Oils of Calgary.

Q. What interest?

A. A royalty interest.

Q. What have they done to acquire a royalty interest?

A. Invested \$100,000 in our company.

Q. It is Calmont that put up the money for the research?

A. Not entirely. We spent many thousands before they put up a cent.

Q. You gave me that figure of \$100,000 a few moments ago?

S.

-3067-

Mervyn Brown

A. But we have a substantial sum in the bank. We closed our books on research on the 31st of May.

Q. But the amount spent on research equals the amount Calmont has put up?

A. Approximately. I have not the detailed statements out yet.

Q. And Calmont obtained from you an over-riding royalty on all the coal taken out?

A. No, on a certain limited percentage for a term of years.

Q. Will you file the agreements existing between Calmont Oils and Allied Industries or any other companies?

A. I take it there is no objection on the part of Calmont Oils. We have no objection.

Q. Are there any other companies?

A. That is all.

Q. No other companies except Allied Industries and this interest of Calmont?

A. I want to make it clear that when you asked if there were any other companies interested in the lease at the beginning of your questioning, I said the only company interested in the lease was Allied Industries, but I was not trying to hide Calmont, they are interested only in royalties.

Q. That is their reward for putting up all this money?

A. Not all of it, some of it.

Q. I think I asked you for a breakdown of where this \$100,000 was spent in the research work.

BY COMMISSIONER McLAURIN - There is no operating subsidiary?

A. Oh no.

BY MR. FRAWLEY - You have not done any operating at all?

A. All research. I don't believe in doing operating not preceded by research.

Q. Would it be perhaps that Allied Industries would operate when you have succeeded?

A. No.

Q. You would have an operating subsidiary?

S.

-3068-

MeEvyn Brown

A. We propose setting up an operating board with a national Board of Directors, that will have the confidence of the country.

Q. You propose to form a Federal Company with a National Board of Directors?

A. Yes.

Q. You will have to have a railway?

A. Yes.

Q. What is the situation there? Who will build it?

A. That is a very potent question and one that I am glad to have an opportunity of bringing before your Commission.

Q. It would be built by the Canadian National Railway, or the Canadian Pacific Railway. Where would the Canadian National have to build?

A. We control in co-operation with the P. Burns Coal Mines Ltd. - they took a charter out some years ago from Turner, six miles southwest of Calgary, up Sheep Creek, a distance of about 59.50 miles, and that charter is available to our company if we carry through the development of the mine. Since other interests have acquired a contract on the adjoining property, certain American interests -

Q. You are speaking of the Ford leases?

A. Yes. A question has been raised of putting one railway line into the two properties, which would seem to us to be in the national interest; and we are now considering and have had a reconnaissance survey made of the Highwood River to come on the other end of the Burns property, to a point on the south end.

Q. You would be abandoning the charter of the Calgary South Western?

A. No, it is wide enough to cover that area. And we have offered to make the charter available to the other mine as well in order to save expenditure on railway construction, and we naturally do not favor duplication.

Q. The Calgary South Western is a Burns subsidiary?

A. It is a company, and I don't think it is a subsidiary.

Q. It is affiliated?

A. Yes.

Q. Have you asked them to build the line?

A. No, we have suggested that this line should be built by joint railways.

Q. Canadian National and Canadian Pacific?

A. That, we think, is in the public interests.

Q. What do they say about it?

A. I don't know that without the approval of the Vice-Presidents of those roads, that I should make a public statement on that question. I have talked to the Vice Presidents of both roads, but I don't think it fair to make a public statement.

BY THE CHAIRMAN - They will say if we can get enough freight to pay for the construction and some profits in there, we will build the road. I think that will be their answer.

BY MR. FRAWLEY - There has been no work done on the roads by the Canadian Pacific, or the Canadian National, or the two jointly?

A. I don't know that, but in the early days when P. Burns was alive, I think considerable work was done by P. Burns himself in the grading and clearing for grading.

Q. The only reason I ask is, if you get the railway in, is that not all you would want? Would it not go then under its own steam?

A. I don't find that projects that require two or three millions go ahead under their own steam very easily.

Q. Assuming everything you have said about this coal is right, quality, mineability at very cheap cost, and what it could do in the Ontario market, don't you think if you had a railway put in there at no expense to your company, that you could finance this operation?

A. I don't think at this stage. We do propose at the proper stage, or what we think is the proper stage, to make public all our negotiations in the main in regard to railway construction and in regard to financing and everything we think of public interest in this connection, but I don't think the time has arrived without the

approval of Mr. Howe. of making a public statement in respect to finance.

Q. You expect this Commission to deal fully with this problem of yours, and whether you do it now or after consulting with your counsel, I think surely you had better tell this Commission about everything.

A. We have filed for the purpose of the Commission, for the confidential reading of the Commission, our brief to Mr. Howe. We don't wish to hold anything from the knowledge of the Commission. It is suggested that I make public the basis of our negotiations with the Minister, who has not given me a reply.

Q. I just put the proposition to you that if you had a railway built up there, that you should be able to finance it without further Government assistance?

A. If we had a statement made to us that the joint railways would build to that property, it would facilitate financing no end.

Q. But you would still have to go to the Government, or someone else, for capital?

A. You seem to be very persistent on this point. We have submitted a proposal to the Government that does not involve the Federal Treasury in any possible or likely loss.

BY COMMISSIONER McLAURIN - But it involves them lending credit and making an advance?

A. It does not.

Q. Then why go to the Government?

A. The Brief to Mr. Howe speaks for itself.

Q. Your original language was that you had made a submission to the Government which didn't involve them in any possible or likely loss.

A. That is right.

Q. Is there not a natural inference that they would lend their credit or assistance, or make an advance, which you hope to repay?

A. After you read the brief you will come to another opinion, and I ask you to wait until you have read it.

Q. Are we not to pursue that and examine you on the terms you have submitted to Mr. Howe with respect to this special financing in the brief? You expect the Commission to study this plan of finance, and then see what you think about it?

BY THE CHAIRMAN - Has it been proposed to this Commission that we make recommendations to the Government, or to the Minister?

BY MR. FRAWLEY - Is it asked that a special report be made to the Government by this Commission on your property?

A. I will stick very closely to the terms of the brief.

Q. Did you have in mind that this Commission would make a special report?

BY THE CHAIRMAN - A report and recommendation.

A. I say, in the light of the existing fuel emergency, that I think it in the public interest that this Board make an immediate recommendation to the Government in respect to this matter.

Q. What kind of recommendation?

A. In the 3rd last paragraph of the last page of our brief, Mr. Chairman - Page 19 - "We therefore respectfully but strongly urge your Honorable Commission to make immediate representations to the Federal Government in favor of such reasonable aid as is required."

BY COMMISSIONER McLaurin - What, in your opinion, is "reasonable aid that is required"?

A. I would say that which is contained in the brief to Mr. Howe, and you have it in front of you.

Q. But we would like it verbally from you. It is only fair in a public examination of this kind, that you should submit your case and submit to cross-examination, and not hide it in a brief.

A. Mr. McLaurin, I still hold the point that in dealing with a responsible Minister of the Crown, that I don't think it fair for us to publicize in advance of his approval or reply, the details of that brief to him.

Q. And yet you ask us to go blind and make a recommendation?

A. It is blind when you have our submission to Mr. Howe, in front of you?

BY MR. FRAWLEY - I agree, but I am not content to forego examining Mr. Brown on this brief. I have read it and am prepared to examine on it. He says Mr. Howe has not answered him yet. I suggest at the Ottawa sittings, that will commence on October 3rd, that Mr. Brown should come and be prepared to be examined on the brief.

A. I take it that this Commission is really concerned not only in the long term fuel policy for Canada, but is also concerned with the winter of 1945-46. I take it that this Commission appointed by the Government is really concerned as to whether or not a crisis may happen in this Province and Quebec during the winter of 1945-46. If it is not, I have nothing more to say.

BY THE CHAIRMAN - I don't know why you should put that question to us.

A. Because you are a Government Commission investigating the Fuel Policy.

Q. You have some doubts as to what we are here for?

A. I don't know yet whether this Commission is holding a hearing to bring in a report on a long term policy, disregarding entirely the emergency that is now upon us.

BY THE CHAIRMAN - We are not disregarding anything, but our business is to recommend to the Government of this country what, in our judgment, may be for the welfare of the people of Canada so far as fuel is concerned, otherwise, a national fuel policy.

BY COMMISSIONER McLURIN - And your enterprise contemplates doing something over the long term basis?

A. Both.

Q. Are you not ready to submit yourself for examination at the Ottawa Sittings, having regard to the fact that you are making a proposal to us with regard to long term?

A. I am quite prepared to submit myself. You are appointed by the Government, and I ask you as a matter of courtesy to guide me on this point. And I will submit myself to cross-examination and express myself in all aspects of that brief to Mr. Howe.

Q. I think we should not ask you to do it now, but we are entitled

to your undertaking that you will be in Ottawa, at the Ottawa Sittings in October, and ready to let Mr. Frawley continue with his examination.

A. The only point I am raising is that if some action is not taken before October 3rd, there will be no fuel come out of this mine for the winter of 1945-46.

BY MR. FRAWLEY - I think we understand each other now about the Ottawa Sittings. Now you have said that you can better the price of American anthracite in the Ontario market by \$2.50 per ton?

A. I have no doubt of that, the existing price of anthracite, \$16.24.

Q. You seem to be almost entirely concerned with meeting the competition of American anthracite. What will you do about the bituminous stoker coal that comes in here in considerable quantity for domestic use, stoker, small sized, properly treated coal from Kentucky, Virginia and Pennsylvania, which certainly does not sell for \$16.24?

A. That is right, but I presume your Commission knows what percentage of stoker and blower coal is sold in this Province.

Q. But I put it to you that the trend is towards mechanical fire heating?

A. That has been going on for a quarter of a century, but in my opinion, which is based on discussions with many experts, I don't think the amount of fuel that comes through blower or stoker in this Province is over 15%.

Q. You are content to take your chances on the trend of stoker coal?

A. Why not, and at a later date we may find stoker coal on our own property.

Q. I am told that stoker coal in this province sells for \$11.00 per ton?

A. I suppose you remember when there was not much competition in that field, that a good blower coal could be got for \$6.00, and since the demand was created the price went up. That is what will

happen with the stoker coal, when the demand increases the two will come closer together, stoker and lump.

Q. I am suggesting to you that the competition and trend of bituminous coal is exercising the minds of the anthracite producers in the United States, and it will perhaps similarly exercise your minds.

BY THE CHAIRMAN - When you state that you, or somebody, perhaps your corporation, through research and that kind of thing, had changed the use in the Province of Manitoba from 90% hard coal and 10% bituminous, that you had changed that round about?

A. Yes.

Q. Did that include the City of Winnipeg?

A. Yes.

Q. We had a lot of evidence from a gentleman named Brodie, who certainly had not a good high class coal. He came before us and said with the assistance of some Crow's Nest Pass coal, that he was the man that changed that picture.

A. That was in later years. I have with me the statistics on the Manitoba situation since 1920. I would be very glad to let you have them if your Secretary could have copies made.

Q. And they spent a tremendous amount of money in doing it?

A. Yes. From 1920 for many years, say from 1925 for several years Alberta controlled about 90% of the market in Manitoba, including the city of Winnipeg, and they they brought in the south Saskatchewan mines.

Q. And stole the market from Alberta?

A. Yes. I think it is about half and half now. But the proportion of the market in Manitoba that has gone to the very low grade coals in the Estevan area are industrial coals, used mainly in stokers, and not as lump coal. That is correct, is it not Mr. Morrison?

BY COMMISSIONER MORRISON - Substantially correct.

BY THE CHAIRMAN - They have hundreds of homes in Winnipeg equipped with stokers?

BY COMMISSIONER MORRISON - They mix it with higher grade coal.

BY MR. FRAWLEY - Have you made a note that you will file with us

a breakdown of this cost estimate. To be of any value I would like it broken down, this mine cost of from \$2.25 to \$2.50 for your lift coal, and \$1.50 to \$2.00 for your strip coal.

A. I shall make no undertaking except what is made by Mr. George Watkin Evans in that respect.

Q. But unless you can give some reasonable estimate and some background for it -

A. I am certain Mr. Evans is capable of doing that.

Q. Then will you file with us before the Ottawa Sittings something on that? sir.

Q. And you will file Mr. L. C. Stevens' estimate also?

A. Yes.

BY COMMISSIONER MORRISON - You made a statement today that I have heard many times, "a real national coal policy". The words "national fuel policy", and "national coal policy", it is a term very easily used, especially during an election, in fact some of the labor party have had it inserted in their platform. I think you have had a long enough session this morning, but when you come to Ottawa I would appreciate having your view of what you mean by that often-used term, a "real national coal policy".

A. What I mean specifically is that the householder or the domestic consumer in Ontario and Quebec, not the industrial users, should not have to rely on the United States, or anyone else, for practically all their coal.

Q. That is not quite a national policy. What I have in mind is this. I would like to have your views as to whether you believe that Canada, as a nation, can produce all her own coal requirements, without importing any coal at all from any source whatever?

A. I have no doubt of it. It is just a question of economics.

Q. Where are you going to draw the line?

A. That is a very big international question, involved in the question of tariffs.

Q. The term "national fuel policy" has been used so often as you know, and I would be very interested, and I am sure the Commission would, as to what is the definition of it and how far it would go.

Where do you start, and where do you stop?

A. I would be glad to prepare a statement for you on that point, if you wish me to.

Q. Throughout your whole brief you refer several times to a national coal policy, and I would be very glad to have your views on it.

A. I will be very glad to give them to you, Mr. Morrison

Q. And that will be available at the Ottawa Sitzings?

A. Yes sir.

BY MR. FRAWLEY - To what extent would you hope to displace the competing anthracite with your Alberta Burns coal?

A. If the price structure maintains, it all depends on whether the price structure maintains, and I presume it will because I don't expect that labor costs in the mines will go down (I hope they don't) and 60% of all costs of producing coal is labor, and that applies to transportation as well. And I see no reason why over a term of years, similar to what happened in Manitoba, that most of the egg and nut sizes of anthracite, and several sizes of Pocohontas, why they cannot ultimately be replaced from the Highwood area, and I spoke of that type of coal.

Q. That would be to what percent, 80% or 90%?

A. I don't see why 80% could not be brought into this Province from the west over a term of years.

Q. Do you think that is good international politics?

BY THE CHAIRMAN - You might ask him if he knows exactly what the Ontario brief meant about placing any further restrictions on American coal.

BY MR. FRAWLEY - What it said was when these further restrictions were placed, that this point of view should be closely considered, and the point of view referred to is the previous paragraph, that the United States Government afforded generous treatment to the people of Ontario in this emergency.

BY THE CHAIRMAN - The gentleman that read the brief yesterday said there should be no further restrictions on the importation

of American coal into Canada. But he refused to say anything about subventions because it was a Federal policy, but he did say something about tariffs, which is also a Federal policy. He was in favor of leaving them as they were.

BY MR. FRAWLEY - But the two paragraphs that bear on that in the Ontario brief - "The Government of Ontario wishes to make reference here to the generous treatment afforded the people of this Province by the United States Government in the allotment of coal to meet the needs of our people during the war." and "In the formulation of any comprehensive coal policy this fact should not be overlooked - any proposal that would have the effect of placing restrictions on the marketing of American coal in Ontario should be closely considered from this point of view."

BY COMMISSIONER McLAURIN - And he added the word "further" in his evidence.

BY MR. FRAWLEY - Yes. Then we will add the word "further".

BY COMMISSIONER McLAURIN - On your 80% figure of displacement, that would be \$2.50 subvention per ton. There might be protests of a different character from Ontario probably long before we got to the 80% figure.

BY MR. FRAWLEY - Have you anything further?

BY MR. BROWN - I might make this comment. In our submission we said that the United States Government in the past went far to meet our pressing needs, but we cannot expect American householders to sacrifice their normal heating quotas on behalf of those who have an unused abundance of high quality coal in their own country. I would have liked to see the Provincial Government of Ontario amend their brief and say that while appreciating all that was being done by our good American neighbors to provide us with coal during the war years, and previous to that, we also appreciated the very great efforts that the Provinces of Alberta and Nova Scotia made in supplying coal to these Central Provinces, and they would favor a national fuel policy to use more home produced coal in the future than in the past.

MR. D. G. SINCLAIR called. Exd. by Mr. Frawley

Q. You are the Assistant Deputy Minister of Mines for the Province of Ontario?

A. Yes.

Q. And you have come to file the three reports of the Select Committee of the Legislature which was appointed to consider the problem of development and processing of the lignite deposits in Ontario?

A. Yes sir.

Filed as Exhibit No. 174

Q. They speak for themselves pretty well?

A. Yes.

Q. The last report is as recent as last September?

A. Yes.

MR. H. G. HENRY called - EXAMINED BY MR. FRAWLEY

Q. You are Assistant to the General Manager of the Hamilton By-Product Coke Company, Limited?

A. Yes.

Q. And you have a brief to present to the Commission?

A. Yes.

Exhibit 175 - Brief of Hamilton By-Product Coke Co. Ltd.

Mr. Henry then proceeded to read Exhibit 175, as follows:-

"The plant of the Hamilton By Product Coke Ovens Limited was one of those built after a report was made by Mr. J. L. Landt, engineer employed by the Dominion Fuel Board in 1923 and 1924, and largely as a result of that report.

From 1850, the City of Hamilton was supplied with gas and with a small quantity of coke from a retort gas plant, such as is in general use today where gas is the principal product. The growth of Hamilton by 1921 was such as to require a supply of gas beyond the capacity of the existing gas plant. Its proprietors, in considering ways and means of increasing the production of gas, were attracted by the recommendations of the Government with respect

to by-product coke plants, and particularly by the specific recommendation that such a plant should be established at Hamilton. They investigated the matter, although they were skeptical of it because of their having a retort gas plant which could be enlarged at less cost and because of their doubt of their ability to sell, in competition with anthracite coal and with imported coke, the larger quantities of coke which would be produced by a by-product coke oven plant. They realized that with such a plant, coke and not gas, would become the principal product.

A large amount of new capital would be required to build a by-product coke oven plant and that capital could be obtained only upon positive assurances that the new venture would be successful. The market for the gas was already developed and was protected by franchise, but a by-product coke oven plant could be successful only if all of its coke could be sold, and at fair prices. Because there existed then, as there exist today, many conditions adversely affecting the sale and the fair sale-price of coke made in this section of Ontario, the intending proprietors of the Hamilton by-product coke plant sought and obtained assurances that Government protection would be provided, and thereupon the plant was built.

The plant of the Hamilton By Product Coke Ovens Limited was completed in January, 1925, and then comprised 25 Sennet-Solvay ovens with a capacity for carbonizing 500 tons of coal every 24 hours. In 1927 the plant was enlarged by the addition of 35 Wilputte ovens, and it then had a total capacity for carbonizing 1,100 tons of coal per 24 hours. Its capacity to produce saleable coke is, therefore, about 800 tons per 24 hours. Its capacity to produce gas has also been increased by the conversion of its blue gas set to a water gas machine and by the addition of equipment to gasify liquid propane.

In the year ending March 31, 1945, it produced 298,444 tons of merchantable coke, which is a fairly representative

annual production, about 90% of which is currently going to war industries for metallurgical and similar use. The plant includes complete by-product equipment to recover gas, ammonium sulphate, light oils, benzol and tar. It is thoroughly modern and efficient as is evidenced by its yields and the unit costs of its products. The appraised value of the coke and gas plants at August 31, 1944, was \$12,309,914.00. Importations of coke during peace time years imperilled our markets but the security afforded the consumers by our plant in respect of a supply of fuel as a substitute for anthracite coal will, when temporary war restrictions are lifted, be as great as it ever was.

Since its establishment in 1924 the Hamilton By Product Coke Ovens Limited and its affiliated companies at Hamilton have paid over 9½ million dollars in wages and salaries, the wage bill for the calendar year 1944 amounting to over \$840,000.00. Since it began business it has spent \$119,896.00 in advertising its coke, despite the fact that practically no monies have been expended for this purpose during the last six years of war. These companies have paid over \$3,900,000.00 in Dominion, Provincial and Municipal taxes which, for the year ending March 31, 1945, amounted to over \$300,000.00, equivalent to over \$1.00 on each ton of the company's own coke sold."

BY COMMISSIONER MORRISON - That includes Income Tax?

A. Yes sir.

(Continues brief)

"These figures do not include customs duties or excise and sales taxes. In the same year purchases of supplies of all kinds exclusive of coal, amounted to approximately \$570,300. of which 95% were purchased in Canada.

GENERAL

One of the main interests of the coke industry in Canada and of ourselves in particular, is to obtain bituminous coal of a quality and at a laid-down price which will enable us to convert same into coke, gas and by-products to meet the demands

of the local market for gas, the wider Canadian market for coke and to enable us to compete in the world markets for the by-products and thereby to serve the public interest in providing fuel as economically as possible.

SATISFACTORY COALS FOR DOMESTIC COKE MANUFACTURE

Besides the property of coking, there are three other essential qualities coal must have to make it available as the raw material from which to manufacture coke for domestic use. It must be of a proper quality to produce the desired kind of coke. It must store in quantity for long periods without damage from heating. It must be purchasable at a price which will permit the manufacture of coke at a cost which makes successful competition with other fuels possible.

COAL FROM ALBERTA.

Distance and the quality of coal mined in Alberta appear to make its use in Eastern Canada for coking purposes impracticable.

EFFORTS TO GET SATISFACTORY COAL IN NOVA SCOTIA

The Nova Scotia coal available at the time of the passage of the Domestic Fuel Act on April 14, 1929, filled none of the three above mentioned requirements as far as the Hamilton By Product Coke Ovens was concerned, and therefore no attempt was made to take advantage of that Act which provided for the payment under certain conditions of subsidies based on the capital cost of the works of private companies, municipalities or other public corporations erecting coal carbonizing plants to make domestic coke. In order to receive the subsidy the carbonizing equipment had to be so constructed that 70% of Canadian-mined coal could be used. The subsidy was to extend for a term of fifteen years."

BY COMMISSIONER McLURIN - Could you have taken advantage of that?

A. No.

Q. You built in 1925 and the Act was not passed until 1927. You have never been able to get under that?

A. No sir.

Continues Brief.

"In company with other coke manufacturers we endeavored to find some way which would permit the purchase of at least a substantial part of our coal requirements in Nova Scotia. Eventually it was determined that from certain mines prepared coal of satisfactory quality could be used to the extent of at least 35% with mixtures of other coals to produce the desired quality of coke and the storage of such specially prepared coal was also satisfactory. Its utilization then became a matter of cost and also of quantity available. In every year for a great many years prior to the present war we have written the Dominion Coal Company asking them to quote us on any portion of our requirements for coal and in each year but one we were advised that they did not have any suitable coal available for us. In the only year (1936) in which we were able to obtain any such coal we were able to obtain only 14,000 tons out of a total requirement of 400,000 tons.

In the report of the Royal Commission in 1932 (see report of the Royal Commission respecting coal mines in Nova Scotia, 1932, Halifax, P.P. 29, 30 and 31, Exhibit E) the Commission expresses itself as satisfied "that the specially prepared coal mentioned can be used to the extent of 33-1/3% but that the cost is too high unless the Government assumes some of it. It recommends that Federal assistance be given so that at least 150,000 tons of coal per year may be used in Montreal for coking."

BY MR. FRAWLEY - Can you identify that Commission?

A. Yes sir. The Royal Commission respecting coal mines in Nova Scotia, 1932, Halifax, paragraphs 29, 30 and 31 Exhibit E.

Q. That is one of the Duncan reports, I think?

A. That is right, Sir.

Continues brief.

It is obvious that if the cost was too high at Montreal, Quebec, it was still higher at Hamilton, Ontario, and the financial assistance required would, therefore, be greater, but the fact remains that we have never been able to take advantage of such

assistance because the coal heretofore has not been available. We believe it to be a fact that certain Ontario coke producers, including ourselves, as well as the Montreal Coke Company, have repeatedly stated that if the specially prepared coal can be laid down at their plants at a price competitive with the price of other bituminous coal, they will be willing at any time to purchase up to 33-1/3% of their total requirements in Canadian coal."

BY MR. FRAWLEY - LaSalle has been taking 35% of Nova Scotia coal?

A. They have, and that absorbs all the washing equipment capacity, and there is none left for us. I am giving you that in a minute.

Continues brief.

"We believe that one of the important reasons why specially prepared coal has not been available to us is the limited capacity of the washing equipment of the Nova Scotia mines.

Unless we are able to obtain from this source properly prepared and washed coal it would not be possible for us to remove the sulphur afterwards from the coke for sale to brass foundries, etc., where such sulphur is detrimental to operations; also our purification costs using the coal would immediately be substantially increased because of the necessity of removing the sulphur remaining in the gas produced from such coal.

THE TARIFF STATUS AND DRAWBACKS

The following information constitutes a record of the changes which have occurred in tariff item 588 and in drawback items 1019, 1019A, 1049, 1049A and 1049B, being the most important items of the tariff affecting the duty on coal, the amount of drawback applicable and therefore the net cost of imported coal at our plant.

HISTORY OF TARIFF ON BITUMINOUS COAL

<u>Year</u>	<u>Item</u>	<u>Duty</u>	<u>Excise</u>	<u>Sales Tax</u>
1879		50¢ inc. slack	-	-
1880		60¢ inc. slack	-	-
1883	Slack	20%	-	-
1897		53¢	-	-
1897	Slack	20%	-	-
1907	588	35 - 45 - 53¢	-	-
1907	Slack	10 - 12 - 14¢	-	-
3/25/25	588	35 - 45 - 50¢ inc. slack	-	-
6/ 2/31	588	35 - 75 - 75¢	1%	Nil
4/ 7/32		No change	3%	Nil
4/26/39		No change	Nil	Nil
6/25/40		No change, War Exch. Tax 10%		Nil
6/ 1/45		No change, War Exch. Tax 10% cancelled	Nil	Nil

As far as duty on bituminous coal is concerned, it would seem desirable that same be eliminated."

BY MR. HENRY .. That is simply our own opinion.

BY THE CHAIRMAN - You are getting a drawback for the full amount of duty now?

A. 99% for metallurgical purposes, and 50% otherwise.

BY MR. FRAWLEY - Will you say why you think that 75¢ should be taken off?

A. Presently of course 90% is coke for metallurgical use, so there will be 99% drawback, and therefore there is not much involved. There is a great deal of work, certificates have to be obtained, and there is a lot of routine, and it does not provide the Government with very much revenue.

Q. How much does carry a revenue of 75% which remains?

A. 10%, and even on that we got 50% drawback.

Q. On the 10% which goes into domestic coal?

A. Yes.

BY COMMISSIONER McLAURIN - You are recommending the elimination

of the tariff of bituminous coal to the extent to which it is used for coke?

A. Yes.

BY THE CHAIRMAN - What preparation does American coal have to undergo before you accept it for coke making?

A. If it is washed coal it is prepared coal.

BY MR. FRAWLEY - And it is originally of course low sulphur content?

A. Yes.

BY THE CHAIRMAN - Some of it.

BY MR. FRAWLEY - Do you buy American coal by specification?

A. Yes, we had a requirement in peace time. Presently we have to be a little liberal; but we endeavor to buy coal under 1% sulphur and not over 7% ash, and for the low volatile coal, and for the low volatile coal 17, for the medium 29 to 31, and for the high from 35 to 36.

Q. Is it in your brief, or separate?

A. No.

Q. Would you file separately your mix that you put in your ovens. Perhaps it is confidential.

A. No, it is not confidential. We like our mix to average 30, and we keep as close to those figures as we can. We will be very happy to file it.

BY COMMISSIONER MORRISON - Where do you get your coal?

A. Originally from Pennsylvania, but now from Pittsburg and Virginia.

Q. Why did you change?

A. The Pennsylvania coals we were buying began to get a little patchy in spots, and we desired to keep a uniform quality of coke. If it is all bad the customer may not kick too much, and if it is all good he does not kick, but if it is good and bad at times he does kick.

Q. There is no subsidy for quality?

A. No.

BY THE CHAIRMAN - Do you have two operations in your coking gear?

One for domestic, and the other for metallurgical?

A. No, Sir. We only have one operation, but the sizes that the industrials use is a larger size than used for domestic use. In other words we size all the large for industrial use, but the coal mix is the same. There was a time fifteen years ago when we were in the foundry coke market, and that required a longer cooking time, and we used to assign certain ovens to produce that coke on which there was a premium price.

Q. I see in Winnipeg the people are satisfied with the coke from Western Canada coals for domestic use?

A. Yes. Our feeling there was largely a matter of distance and economics.

Q. Then for a domestic coke, can you get good value as a domestic coke taken from Canadian coals wholly?

A. Yes sir. As to the Nova Scotia coal, I don't think we would want to use more than 35% of that coal in the mix.

Q. How is it then that the people of Winnipeg seem to thrive and keep warm on a coke that is manufactured from absolutely a processed coal?

A. As I understand it there is no low volatile bituminous coal available from Nova Scotia. Winnipeg is closer to the West and therefore is able to get this low or substituted coal.

BY COMMISSIONER MORRISON - I am suggesting that Winnipeg people have access to a better coal.

BY THE CHAIRMAN - It is a question that I have never been satisfied with in my own mind.

BY COMMISSIONER McLAURIN - The Quebec plant uses 70% Nova Scotia, does it not, the Quebec domestic plant?

BY MR. FRAWLEY - It is under the Nova Scotia Domestic Fuel Act. Any plant under that Act must use 70% or more to get the benefit of the Act.

BY COMMISSIONER McLAURIN - They can use down to 50% and get some benefit.

BY MR. FRAWLEY - Suppose you had the same Crow's Nest Pass coal delivered to you as is delivered to the Winnipeg Electric,

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H. G. Henry

what would be your position in the market with the coke that would make from that coal?

A. If we had as much as 70% I think we could manufacture a satisfactory coke. Certainly if Quebec can do it, and Halifax can do it, we think we can. But we have been trying to deal only so far with the reasonable proportions that we thought we might be able to get.

Q. You are theorizing of course when you speak of using 70% or even 100% of the Sydney or Crow's Nest Pass coal.

A. I don't think we could use 100%.

Q. Then come to 70%, which we will say is the maximum amount you could use.

BY THE CHAIRMAN - I think their difficulty is that they produce two kinds of coke. They want a superior kind for metallurgical.

BY MR. FRAWLEY - I am thinking of a domestic market. Dealing with metallurgical first, could you supply that existing market with 70% Crow's Nest Pass or Sydney coal?

A. That, Sir, is rather difficult for me to answer. We would want to try it in those proportions and submit the coke to the metallurgic users to see if they could use it.

BY COMMISSIONER MORRISON - The Crow's Nest Pass today are manufacturing metallurgic coke from 100% of their own coal.

BY MR. FRAWLEY - That is going to Trail.

BY COMMISSIONER McLAURIN - And to Idaho.

BY MR. HENRY - We produce coke in the government plant at Hamilton with the same kinds of coal we are buying for ourselves and yet the Steel Company say they can't use that coke. It is rather difficult for us to say, we have to be governed by the customers.

BY MR. FRAWLEY - Passing from metallurgic and foundry coke. Who makes the foundry coke in this area?

A. We buy it from sources in the United States to maintain continuity of service.

Q. Is there none made in Toronto or Hamilton areas?

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H. G. Henry

A. No.

Q. What would be the position in the domestic market if you were making coke from 70% Crow's Nest Pass or Sydney coal?

A. My opinion is that it would not make as good coke.

Q. As good as what?

A. As we are presently able to make with the imported coal.

Q. What are you competing against now with your coke?

A. In normal times we are competing with anthracite, with oil and with electricity.

BY COMMISSIONER McLAURIN - And soft coal?

A. Yes.

BY MR. FRAWLEY - Could you compete with anthracite with coke made from 70% Crow's Nest Pass or Sydney coal?

A. I doubt it.

Q. Could you compete with stoker coal?

A. No, I don't think we could.

Q. That is what the LaSalle Coke Company tells us, that they can't compete against anthracite.

A. I think they are quite right in that respect.

BY THE CHAIRMAN - I don't know why any coke cannot compete successfully with the substance from which it is made.

BY MR. FRAWLEY - Why can't it compete with bituminous coal itself? But that is another matter.

A. That is a very large matter. We presented a brief before the Tariff Board under reference 97, in 1937, and that brief went into a great deal more detail than we have attempted to do here with respect to the relative heat values and costs and practically all of the factors relating to that anthracite competition. There is a copy of that brief filed here, and I think that brief would give a great deal more information on this point.

BY COMMISSIONER McLAURIN - Dealing with this recommendation as to tariff. Your average production approximates 300,000 tons?

A. Of coke, yes.

Q. Where would that go in ordinary peace times? Just roughly.

A. I would say 90% would go domestic.

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H. G. Henry

Q. Competitive principally with what, anthracite?

A. Yes sir.

Q. So that carrying your argument logically, if your coal is to be completely free from duty, then the government are in the position in playing fair with anthracite, in taking the duty off of it?

A. There is no duty on anthracite, that is one of our points.

Q. There is 50¢ duty on American anthracite, a ton, under preferential from Wales. So it naturally follows that your recommendation, like a lot of other things, would have to move somewhere else.

A. The duty which we have is 75¢ per ton duty for coal imported for coking

Q. But you have a 50% drawback, so you are on a basis of 35¢ per ton. But the economic situation would be bound to develop that the anthracite dealers would go to the government and say play fair with us, you have removed it on this coke and you should remove it on ours?

A. Yes.

Q. And that would make it tougher for the Nova Scotia bituminous coal operators and they would have to have a bigger subvention?

A. That might be right, but we have been asked to give a picture as we see it. Its effect of course the Commission will have to decide.

MR. HENRY continues brief.

HISTORY OF DRAWBACK ITEMS ON BITUMINOUS COAL

<u>Year</u>	<u>Item</u>	<u>On duty only</u>
1907	1019 Bituminous coal when imported by proprietors of coke ovens and converted at their coke ovens into coke for use in the smelting of metals from ores	99%
1914	1019 Bituminous coal when imported by proprietors of coke ovens and converted at their coke ovens into coke for use in the smelting of metals from ores and in the melting of metals. Effective April 7, 1914.	99%

<u>Year</u>	<u>Item</u>		<u>On duty only</u>
1944	1019A	Bituminous coal of a quality suitable for by-produce coke oven use entered for consumption ex-warehouse on and after August 1, 1942. When imported and converted at coke ovens into coke for use in the smelting of metals from ores and in the melting of metals	99%
		This item was passed as a temporary item to permit coke ovens to purchase for coke oven use coal imported by others than the proprietors of coke ovens.	
1925	1049	Bituminous coal when imported after the 24th day of March, 1925 by proprietors of by-product recovery coke ovens and converted into coke at their by-product recovery coke ovens. Provided that no drawback shall be paid under this item on coal converted into coke at a gas retort plant or at a plant using any other process than the by-product coke process. Effective March 25, 1925.	99%
1934	1049 (a)	Bituminous coal when imported by manufacturers of coke and converted into coke in their own plants. Effective April 19, 1934.	50%
1934	1049 as revised	Bituminous coal when imported on and after April 19, 1934, and converted into coke in coke or gas plants. Effective April 19, 1934.	50%
1935	1049	Bituminous coal imported on or after March 23, 1935	
	(a)	when converted into coke and the coke sold for use as fuel in other than a coke or gas plant	50%
	(b)	when converted into coke and the coke sold for use as fuel in other than a coke or gas plant, provided that not less than 35 percentum by weight of the bituminous coal so used as covered by each drawback claim was mined in Canada.	99%
1935	1049	Bituminous coal imported on or after March 23, 1935, not including special duty or dumping duty	
	(a) as revised May 31/35.	when converted into coke to be sold for use as fuel in other than a coke or gas plant.	50%

<u>Year</u>	<u>Item</u>	<u>On duty only</u>
1935	1049 (b) when converted into coke to be sold for use as fuel in other than a coke or gas plant, provided that not less than 35 percentum by weight of the bituminous coal so used as covered by each drawback claim was mined in Canada.	99%
1939	1049 Bituminous coal imported on or after March 23, 1935	
	(a) when converted into coke to be sold	50%
	(b) when converted into coke to be sold; provided that not less than 35 percentum by weight of the bituminous coal so used as covered by each drawback claim was mined in Canada.	99%

TRANSPORTATION FACTOR

In view of the relatively large quantity of coal presently imported by us during each navigation season (approximately 400,000 tons per annum) it should be noted that this coal is transported from United States ports on Lake Erie in bulk freighters of approximately 7,200 tons capacity. To the extent that any portion of such tonnage is to be substituted with Canadian coal from the Nova Scotia mines, such Canadian coal under existing conditions could only be transported by water through the Lachine Canal and such transportation, therefore, would of necessity have to be undertaken with canal type vessels of approximately 3,000 tons capacity.

It will be obvious that the number of trips to be made would, therefore, have to be greatly increased and the time required for unloading these smaller vessels involving as it does changing of the grab bucket on our bridge to the clean-up bucket on each load would materially increase our costs in this respect."

Actually it is the time element that is important to us there also.

Continues brief.

"COMPETITIVE FACTORS

Laid-down cost of coal is a very important element

because not only do coke and gas have to compete with hard fuels such as anthracite, but also with oil and Hydro electric power. Hydro rates in this community, partly because of Hydro's proximity to large sources of water power at Niagara Falls and in no small part due to the fact that Hydro does not have to pay municipal taxes, is able to sell power at extremely low cost.

Facilities for the production of oil and the generating of electric power having been greatly expanded during the war, their managements now look to expanding markets for disposal of the greater production from such facilities."

BY MR. FRAWLEY - Does Hydro sell space heating? Homes here are not heated?

A. No, but they sell water heating, in competition to gas, which is a substantial part of the revenue from the carbonization of this coal. And we have heard of plans of development for electric heating also.

Q. Space heating?

A. Yes sir.

Continues brief

"The post-war competitive situation, even among coke producers themselves, is quite apt to be severe, since many steel plants in Canada have added to their coke producing capacity and many new coke plants have been erected in the United States in the general area of the Great Lakes where some 29 coke plants existed before the war and shipped considerable quantities of coke into this general market area.

SUMMARY

To summarize, we would be quite willing to accept Nova Scotia coal if properly prepared and washed to the extent of approximately 35% of our total annual requirements of 400,000 tons, or approximately 140,000 tons per annum of Canadian coal and provided that such coal can be delivered to us at a laid-down cost not greater than similar coal costs us from other sources, taking into consideration any added cost of unloading smaller vessels

than we are now able to use. Current laid-down costs approximate \$7.12 per ton."

BY MR. FRAWLEY - On page 5 of your brief, you say "In every year for a great many years prior to the present war we have written the Dominion Coal Company asking them to quote us on any portion of our requirements for coal and in each year but one we were advised that they did not have any suitable coal available for us." And then in 1936 you get 14,000 tons. What did they say? That they had no coal?

A. No, that their facilities for preparing it were not adequate. In other words they told us that the entire output of the prepared coal, washed coal, went to Montreal.

Q. Then LaSalle had a priority?

A. Merely their geographical location.

Q. It cost the government less to put it there?

A. Yes. We were at one time somewhat disturbed because the tariff items at that time provided that if the tariff was reduced from 99% to 50% for coal converted to domestic coke, there was a provision that you still for the 99% provided you used 35% Canadian coal, which Montreal could do, and we could not, and we felt that was discriminatory. However, we could not get the coal and that is all there was to it.

Q. Did you get around that disability?

A. No, the war came along and the situation altered. It probably will become again a matter of discussion.

Q. But if you stand ready and willing to take advantage of this benefit, and you can't because of the producers' difficulty?

A. That was our argument entirely, but the Government didn't see it that way.

Q. Was there not someone in Ottawa that would lend a receptive ear?

A. We saw everybody in Ottawa that we knew, but without success.

12:10 P.M. HEARING ADJOURNED UNTIL 2:00 P.M.

2:00 P.M. HEARING RE-CONVENED

S. R. FREED called, EXAMINED BY MR. FRAWLEY

Q. Mr. Freed, what is your position with respect to the Fort William Coal Dock Company Limited, at Fort William?

A. Secretary Treasurer and General Manager.

Q. What does the "S" in your name stand for?

A. Stanley.

Q. You have a presentation to make for your company?

A. Yes.

Exhibit 176 - Brief of Fort William Coal
Dock Company Limited.

MR. FREED then read Exhibit 176, as follows:

"INTRODUCTION

This brief is presented on behalf of Fort William Coal Dock Company, Limited as a means of acquainting your Commission with the location and activities of this Company and pointing out their importance to transportation and industry, both locally and nationally.

HISTORY

Fort William Coal Docking Company, Limited was incorporated as an Ontario Company under letters patent dated August 21, 1909, for the purpose of carrying on the business of a coal and ore dock at the City of Fort William, and importing, handling and distributing coal and ore in connection therewith. Since its incorporation, the Company has been operating continuously at Fort William, and in 1931, also took out a license to carry on business in the Province of Manitoba. During the first Great War, the Company handled a considerable quantity of iron pyrites, which were exported for their acid content; but no ore has been handled since 1919. Since that date, the Company has dealt only in coal, and over the years, has improved and extended its capacity and facilities for handling this commodity in order to keep up with growing demand, and to render the best and fastest service in its operations. In all this time, it has never asked for or received any form of government assistance or subsidy, or any exemption from municipal taxation.

LOCATION, CAPACITY AND FACILITIES.

The Company's operations consist of unloading coal from lake carriers, and storing and loading this into railway cars. The dock is located on the Mission River, in the Harbour of Fort William, the river being dredged to a depth of 25 feet to accommodate vessels of any size. There is a total dock frontage of about 1800 feet in use, of which about 600 feet is steel frontage, and the balance concrete, which was completely refaced in 1942. The dock is equipped with the following machinery for unloading vessels, handling and sorting coal, and loading railway cars:

One 10-ton moveable Heyl & Patterson coal handling bridge equipped with a clean-up bucket.

One 5½-ton moveable Industrial Brownhoist coal handling bridge.

One 3-ton moveable Heyl & Patterson coal handling bridge.

Four box car loading machines.

Two Screening Plants for the preparation of Domestic fuels.

One Power House building equipped with two Rotary Converters and also housing a machine shop.

This plant and equipment represents an investment of \$1,004,992.84 and has always been kept in good operating condition.

In unloading ships, the average rate is 600 tons per hour, but up to 17,000 tons can be unloaded in one day. For example, the Lemoyne, the largest Canadian carrier on the Great Lakes, which carried over 16,000 tons, has on a number of occasions been unloaded in 24 hours.

The rate of loading into boxcars is somewhat higher, being 800 tons per hour; this means that the actual loading of a standard boxcar, holding 45 to 47 tons, can be done in 1½ minutes, not counting delays in moving and switching. This rate is believed to be one of the fastest on the continent. During an emergency arising out of the severe cold spell in January, 1943, which was one of the coldest months on record, the Company loaded

225 boxcars of coal in one 8 hour shift, and was later congratulated for this performance by officials of the C.N.R., who said the Company's ability to carry out continuous loading under the most trying conditions had averted a serious transportation problem in the West.

The following table shows tonnages received on the Company's dock since 1922:

<u>YEAR</u>	<u>TONS</u>
1922	461,297
1923	983,385
1924	717,820
1925	452,153
1926	632,270
1927	914,678
1928	1,169,080.
1929	918,924
1930	679,771
1931	429,967
1932	341,917
1933	219,538
1934	312,324
1935	284,428
1936	441,110
1937	506,541
1938	469,148
1939	324,240
1940	306,787
1941	484,911
1942	779,175
1943	944,356
1944	819,707

Coal shipped out, however, has often exceeded these figures because of withdrawals from stockpiles -- for example, in 1943, when a definite coal emergency existed, the Company handled over

1,000,000 tons. The maximum in storage occurs about the end of November when navigation closes. At the end of November, 1943, the stockpile was 433,000 tons, and at the end of November, 1944, it was 380,000 tons. In the Spring, when navigation again opens, it has been as low as 50,000 tons, but the railways are anxious not to have it go below this amount in order to provide for emergencies such as a severe winter, or a late opening of navigation."

BY MR. FRAWLEY - Why do you refer to the railways especially there?

A. They take about 85% of the coal.

Q. 85% of what goes over your dock goes to the railway companies?

A. Approximately. It will be mentioned later in the brief.

Continues brief:

"HANDLING CHARGES

The standard rates charged by the Company are as follows:

Complete handling charge for unloading from ships and re-loading into boxcars:

bituminous coal -- 50¢ per ton for local movement to terminals in Port Arthur and Fort William; 40¢ per ton for railway line movement outside terminals.

anthracite coal -- 60¢ per ton for local movement.
50¢ per ton for line movement."

BY COMMISSIONER MORRISON - Why the differential?

A. The differential occurs beyond the time when I took over the Company, and when the Canadian Northern Railway had a dock at Port Arthur, and the Capadian Pacific at Fort William. Their docks preceded ours in the handling of the coal situation and they established these rates. A greater income from the handling for local movement owing to the fact that they didn't have a line movement.

Q. Why different, the bituminous and anthracite?

A. Because anthracite has a different proportion than the bituminous.

Q. And also there would be a larger volume of bituminous, of

course?

A. Yes.

Continues brief

"TYPES OF COAL HANDLED, and SOURCE:

The types of coal now imported all have their origin in the United States of America, and after a short rail haul to the south shore of Lake Erie, are shipped by lake carrier from various ports between Buffalo and Toledo, direct to Fort William.

Of all coal coming in, the average of about 85% is for railway use, and the balance of 15% is commercial coal. The following figures on analysis will show the kind and quality of some of this commercial fuel."

BY MR. FRIMLEY - Is that 85% bituminous, or bituminous and anthracite?

A. Yes.

Q. All bituminous coal you mean then?

A. Yes.

Q. You say "all coal", you mean all bituminous?

A. Yes.

Continues brief

	<u>Poca Egg</u>	<u>Elkhorn Stoker</u>	<u>Fairmont Lump</u>
Moisture	1.40%	1.4%	2.1%
Volatile Matter	15.22	36.8	39.1
Fixed Carbon	76.99	59.9	52.9
Ash	6.39	3.3	5.9
Sulphur	.52	.6	2.05
B. T. U.	14,526	14,540	14,044
F. T. A.	2290	2500	2140

The railway coal imported, of course, is of the particular types they require. However, the Company is willing and able to handle any kind of coal that may be shipped up the Great Lakes.

DISTRIBUTION OF COAL HANDLED

The area within which coal imported for railway use is carried, depends, of course, on the wishes and requirements of the

railway. Most of the railway coal, which makes up over 80% of the total coal brought in -

(I have used over 80% there because I know it is over 80%, but the average is 85%, as I mentioned before)

is used between Cochrane, Hornepayne and Winnipeg, but in emergencies, where Western Canadian mines have been unable to meet the demand, it has been taken as far West as Saskatoon. Coal is also supplied for bunkering vessels sailing on the Lakes."

BY COMMISSIONER MORRISON - At that point, you are aware you say in emergencies where they have been unable to meet the demand.

You are aware that they could have met the demand, but their coal was diverted from their own natural market to a Pacific market?

A. Well, yes.

BY THE CHAIRMAN - In other words it was a war time emergency.

BY MR. FRAWLEY - Did any coal go as far as Saskatoon pre-war?

A. Yes.

Q. What would send American coal as far west as Saskatoon?

A. Probably the condition of the mines, mine strikes, or other conditions out West, over which the railways probably would not have any control, and would have to supplement their requirements from other mines.

BY COMMISSIONER McLAURIN - Distress coal from the States?

A. No.

Q. But there were distress periods?

A. Yes.

Q. In 1936, or 1935?

A. There have been distress periods.

BY COMMISSIONER MORRISON - What was dumped, surplus coal?

A. I would not say that.

BY MR. FRAWLEY - You said there was some American coal that went as far west as Saskatoon from your dock?

A. Yes.

Q. Was that distress coal?

A. No.

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S. R. Freed

Q. You are quite sure?

A. To my knowledge it was not.

Q. Was it C.N.R. American mined coal?

A. Yes.

BY COMMISSIONER MORRISON - From the Red River mines in Ohio?

A. That was usually where it was from.

BY COMMISSIONER McLAURIN - And it was not going as far West as Saskatoon because the Alberta mines could not meet the demand?

A. "The area within which coal imported for railway use is carried depends, of course, on the wishes and requirements of the railway."

Continues brief.

The balance of the coal handled might be termed commercial coal, which is used for industrial and domestic power and heat. This goes out to paper mills, elevators, a shipyard, shell plant, gold mines and other industrial plants in North Western Ontario. Although Hydro-electric power is cheap in this portion of the province, it cannot very well take the place of coal in plants such as paper mills where steam processing is necessary, nor can it replace the use of coal for heating purposes. Wood fuel from the surrounding district is used to a small extent in domestic cooking and heating, but it is not important in the overall picture and oil heating also is not common in this area. Coal is, therefore, the only available and convenient means of heating schools, factories, hospitals, office buildings and institutions, as well as the majority of homes. Stokers have become popular over the last few years, and their use may be expected to increase as wartime restrictions are eased, and this trend will require the supply of types of coal specially adapted for stoker firing, in addition to the several different varieties required for the other domestic and industrial uses set out above."

BY MR. FRAWLEY - Do you find a definite trend to bituminous stoker coal at the head of the Lakes?

A. Very definite.

Continues brief"CONCLUSIONS AND SUBMISSIONS"

One of the most important factors in the Canadian coal problem is that "Canada is a country with coal fields East and West and railways in between". At the Eastern extreme is the Nova Scotia field, and almost at the Western extreme, the Alberta field, and in between there are the provinces of Quebec, Ontario and Manitoba with no coal at all, and Saskatchewan with only lignite. Linking together the East and West are the two transcontinental railway lines, which are the only means of transportation covering the whole of the country in between. The railways, as well as a large part of industrial and domestic power and heat, must necessarily depend on coal as a fuel, and yet as the distance from either of the available Canadian fields increases, it becomes less and less advantageous to haul coal half-way across the continent.

It is this geographical factor which, it is submitted, gives the operations of this company a unique importance to the Canadian economy. For it is situated at the head of the Lakes, almost exactly midway between these two extremes, and on a great natural waterway which enables coal to be brought by a short, cheap and easy route, directly from the Lake Erie ports to the Lakehead."

(I have said there "See map inside cover", which is indicative of where the coal mines are located, and I think shows quite clearly the locations.)

Continues brief

"The advantage of using this Great Lakes route and of storing coal at the Lakehead has several aspects worth considering:

1. It is shorter than the rail haul from either East or West. The run from Lake Erie ports to Fort William is approximately 700 miles, whereas the distance from the Alberta mines is 1200 miles, and from Nova Scotia, 1850 miles.

2. Lake shipping is a far cheaper method of transportation than rail. The bulk carrier route on Great Lakes vessels is

40¢ per ton, Canadian funds, to our dock; the rail freight rate from Alberta is \$6.50 per ton to Fort William."

BY COMMISSIONER MORRISON - That rate on Great Lakes vessels of 40¢ to your dock, to what point?

A. Loading ports between Buffalo and Toledo on the south shore of Lake Erie.

Q. That 40¢ rate will deal with the rate paid by imported coal from those points to your dock?

A. Yes.

BY MR. FRAWLEY - From all Lake Erie ports?

A. I think the Buffalo area is a little higher rate.

Q. Apart from the Buffalo?

A. I think the 40¢ would apply.

Q. And the railway is \$6.50 with no subvention?

A. I have not said anything about subvention. The subvention is 30% of the rail freight.

Q. Industrial coal?

A. Yes.

Continues brief

"3. It gives access to American fields that can provide a high quality of fuel and a wider choice than is available in Canada. This means that the individual requirements of a wide variety of consumers can be satisfactorily met.

4. The Lakehead is so far distant from each of the Canadian coal-producing areas that reliance on Canadian coal alone might lead to dangerous situations for the railways, industry and domestic heating, particularly in winter, in the event of train wrecks, washouts, car shortages, mine shutdowns, strikes, or weather conditions which cut off or reduced the amount of Canadian coal that could be shipped by rail.

5. A substantial stockpile of coal is necessary to avoid the danger of such shortages, and the Lakehead is a logical location for maintaining such a stockpile as it is easy of access by water and within a reasonable distance of that

portion of the country where coal mines are lacking."

BY THE CHAIRMAN - I suppose you never found a man who knew anything about the business, who suggests that we can economically supply all our interests for coal fuel from the Canadian mines? A man who expressed an opinion that Canadian coal can be economically sent to all portions of Canada and fill the demand for all coal necessary in Canada?

A. I have never met a man of that kind myself.

Q. What do you think?

A. I don't think it could be done.

Q. Take paragraph 4, would there not be just as much likelihood of those accidents happening on American boats and railways as in Canada?

A. We do have those things happen, and that is the reason stockpiles are accumulated throughout the season.

BY MR. FRAWLEY - If you had a bad car shortage situation the stockpile would still be there?

A. Yes, but we would have the stockpile there and when we could get cars the coal is there.

BY COMMISSIONER MORRISON - The car shortage is not so acute when the railways need coal for their own requirements, I suppose?

A. Oh yes, I have had it happen that way.

Q. I thought charity began at home with the railways?

A. Oh no, I have had that happen.

Continues brief.

"6. The movement of coal up the Lakes, and West by rail, is a perfect complement to the movement of grain in the opposite direction. Coal fits in admirably as a heavy return cargo for ships which have carried grain East from the Lakehead. There is no other heavy bulk cargo to take the place of coal, and if ships had to return empty from their grain trips, it would probably lead to an increase in lake shipping rates. Similarly there are always large numbers of empty grain cars being hauled West by the railways, particularly in the fall, and the shipping

of coal in these is an economical return movement. The average weight of empty boxcars is approximately 46% of the pay load, -"

BY COMMISSIONER MORRISON - At that point, what is your authority for that statement?

A. Which is that?

Q. "The average weight of empty boxcars is approximately 46% of the pay load".

A. Well it is a very simple matter to work out from the actual gross of the car.

Q. I am glad to hear someone say there is something simple about freight rates.

A. I am not talking of freight rates, but the average rate of the pay load.

BY MR. FRAWLEY - How do you figure that out?

A. You have the gross, net and tare of the car, and you divide the net weight into the tare weight to get the percentage basis.

Q. That would get you the weight of the car?

A. Yes.

BY THE CHAIRMAN - A carload of coal is 46% car and the rest coal?

A. Something like that.

BY COMMISSIONER MORRISON - That is the way you arrived at that?

A. Yes.

Q. Did you ever check it with the railways?

A. You don't need to.

Q. I am asking you if you ever did?

A. No.

Q. Are you aware if they agree with your contention that you make in this submission?

A. I have never checked it with the railways.

Q. So you don't know whether they agree with your contention or not?

A. No, I would not know.

BY THE CHAIRMAN - I suppose you know the weight of a car that carries coal?

A. Yes.

MR. FREED continues brief.

"The average weight of empty boxcars is approximately 46% of the pay load, and with other considerations such as the share of maintenance and depreciation which must be written against the hauling of empty cars, having a natural return load in coal means a very considerable saving, which undoubtedly has its effect on freight rates for grain, and through this, on the welfare of the Western farmer. On the other hand, attempting to haul both grain and coal from the West, and in most cases returning the boxcars empty, might cause serious congestion and shortages of rolling stock, particularly in the fall, when movements of both these commodities would be heaviest, resulting in a transportation bottleneck at the Lakehead.

Thus the import of coal up the Great Lakes to Fort William is a natural economic movement; which simply means that it is the most efficient, and would therefore prevail over other methods of supply unless its natural advantages were artificially offset by other factors such as subventions and tariffs.

Subventions mean that one part of the country is supporting another part of the country in an economic endeavor which could not otherwise carry itself. Yet even with the last prevailing subvention of about \$1.95 per ton to the Lakehead from the West, coal continued to be shipped up the Lakes, paying a customs duty of 75¢ per ton, and during the coal shortages in the Western provinces in 1943 and 1944, coal from the Lakehead was shipped as far as Saskatchewan. In short, for hauling Western coal outside its natural economic boundaries, the Government pays, whereas in importing American coal along its natural trade route, the Government itself receives a revenue through its collection of customs duties."

BY COMMISSIONER McLaurin - You are ready to let me buy on an economic market too, are you? I would like to buy my automobiles at Grand Falls instead of Windsor, Ontario. You are ready to let it go both ways?

A. You mean free trade?

Q. Are you ready to let that work both ways under a fiscal policy?

A. I am not versed in the fiscal policy.

Q. You are talking of it being uneconomic?

BY MR. FRAWLEY - It is uneconomic, so what?

A. Let me get this straight.

Q. You are pushing your neck right in the noose of Canada's fiscal policy?

A. I think he knows what I mean.

BY COMMISSIONER McLaurin - You say here on page 9 - "Subventions mean that one part of the country is supporting another part of the country in an economic endeavour which could not otherwise carry itself". I say to you as a person residing in Ontario that I would like to buy my automobiles in Detroit instead of Windsor.

A. That is international.

Q. I say the Province of Ontario imposes conditions on Western Canada that are completely uneconomic?

A. They probably do.

Q. So I take it that your principle is that you would be agreeable of the Canadian fiscal policy being put on a basis where it is not uneconomic anywhere?

BY THE CHAIRMAN - If there was no tariff on cars coming into this country you could get a car for \$300. less, or no doubt if the tariffs were taken off, he could get it in Ontario for \$300. less.

A. I suppose if the tariffs were taken off it might be an economic move against the cheaper price.

Q. Mr. McLaurin is suggesting the fact that if you want the tariff taken off of coal -

BY COMMISSIONER McLaurin - Subvention is a subsidy, a protection, and you are complaining about the subvention being uneconomic. Your contention is that subvention is uneconomic?

A. All right.

Q. Is it any more uneconomic than a customs tariff?

A. I do feel this way about the subventions, that people in Canada, in Ontario and Quebec, are paying their taxes to meet the requirements necessary for the coal to be mined and transported east of these points.

Q. That is coal. What am I doing as a person living in Western Canada paying perhaps 35% more for every binder, or mower, or motor car, or anything manufactured in Central Canada. With a subsidy the country knows what it is paying out, but under a tariff they don't know by reason of an uneconomic profit. A customs tariff is useful to the country because they get the revenue, and pluck the goose without letting it squeal because they don't know where it is happening.

BY COMMISSIONER MORRISON - But what are your views as a citizen living in Ontario? You have laid down a certain principle and policy with respect to subvention on coal. Looking at the national interest, which I am sure you do, are you willing to lay down the same principle for the people in the West or in Nova Scotia, are you prepared to lay down the same principle with respect to manufactured products which are in the main manufactured in the two provinces of Central Canada, as you do with respect to coal, and to follow the same line of reasoning in that business, and the same economics?

A. It would increase the buying power of the individual, I believe, if they had some relief out West from some of the taxes and taxation.

Q. I am asking you as a citizen and business man, if you are willing to lay down the same formula that you are asking in respect to coal, for people buying the manufactured goods of those two provinces, in Nova Scotia and Western Canada?

A. I am not speaking for all the manufacturers in the east.

Q. I am asking you to talk for S. R. Freed, the Secretary Treasurer and General Manager of the Fort William Coal Dock Company Limited, and nobody else?

A. I agree with Mr. McLaurin, if I could buy an automobile

\$300. cheaper, that it would be very nice.

BY COMMISSIONER McLAURIN - Then you will add that customs tariffs are likewise and equally uneconomic as subventions?

A. It could be added.

Q. Are you adding it now?

BY THE CHAIRMAN - You had better get out of Toronto before you do it.

BY MR. FRIMLEY - Do you belong to the Canadian Manufacturers Association?

A. No I don't. That is why I don't want to have anything to say about it.

MR. FREED continues brief

"In addition to these economic arguments, there is an international aspect which must be taken into account in looking at this problem from a broad viewpoint. The United States of America imports from this part of Canada a very large quantity of our basic products -- for example grain, pulpwood, and newsprint, and now, iron ore from the new mine at Steep Rock, Ontario. The day has passed when it was believed that export trade could take place without a corresponding flow of imports, and so it might be expected that in exchange for this trade, we would take back something like our share of American products. Coal is the only bulk commodity which fits into this half of the picture, so far as lake shipping is concerned.

It is therefore this Company's earnest submission that the importation of coal by ship to the Lakeshead is a movement that is vital for the needs of Western Canadian transportation and industry, as well as economically advantageous from a national viewpoint. In this movement, our Company has played its part in an efficient, dependable and adequate manner, without assistance or subsidy; and it is our conviction that whatever may be the findings of the Commission with respect to other aspects of the Canadian coal industry, any reduction or alteration of this natural and efficient form of trade would mean loss and disadvantage to the country as a whole.

If, as the result of the recommendations of this Commission, a coal policy is adopted which results in the closing down of this Company's business, it should be realized that its facilities will then no longer be available to take care of the various constantly recurring emergencies which have been referred to. If such a thing occurs, the Company also feels that adequate compensation should be provided for the loss of its heavy capital investment and long established business. On the other hand, if the Company is to continue to render the service it has been providing, a sufficient tonnage must pass over its docks annually to enable it always to maintain its activities and efficiency at a high level."

BY THE CHAIRMAN - The latter part of your brief is somewhat, to me, not very plain. Which of the two recommendations are you making to the Commission, that subventions be done away with altogether in the matter of coal transportation, or that no greater subventions be granted?

A. I am wondering if I can answer that from another angle. The whole purpose of this brief that has been prepared, is that we be allowed to continue in our operations as in the past, with sufficient tonnage passing over our dock to enable us to continue.

Q. You were able to do that in the 7 or 8 years before the war when we had subventions and tariffs?

A. We were very badly off.

Q. I notice in your schedule of statistics that you were doing all right.

BY MR. FRAWLEY - When was the bad year?

A. We were starting around 1938 or 1939 to go down a bit.

BY COMMISSIONER McLAURIN - Why do you think you were going down?

A. From the figures that are shown there.

Q. Why?

A. The subventions had their natural effect on the tonnage

passing over our dock.

Q. And therefore you think they should be reduced rather than kept up?

A. From the Company's standpoint.

BY THE CHAIRMAN - I notice in 1932 (I suppose that is the year that subventions did go down) 341,917 tons, and in 1928, 1,169,080 tons, and from 1923 to 1930 you had in the vicinity (with the exception of one year) well over the hundred thousand tons.

BY COMMISSIONER McLAURIN - Subventions didn't start in great force until 1932.

BY COMMISSIONER MORRISON - Mr. Freed, don't you think that the general disturbance of industry in the hungry thirties had something to do with that reduced tonnage?

A. There was quite a disturbance in 1929, in what we called the crash.

Q. For want of another name, I think that is as good a name as any. Then in 1930, 1931, 1932, 1933 and 1934, we are going to blast our way into the markets of the world in 1930, but there was not much blasting going on down here.

A. It didn't affect us.

Q. And from 1930 to 1935 the purchasing power of the people of Canada was at a pretty low ebb. Don't you think that had more to do with your lowering of tonnage than subventions?

A. I don't think so.

Q. Would you go so far as to say it was a contributing factor?

A. Yes, possibly.

BY MR. FRAWLEY - Where did you lose that tonnage? What particular coal that was under subvention?

A. Simcoe.

Q. What had you particular reference to?

BY COMMISSIONER McLAURIN - Movements into Winnipeg, and into the paper mills?

A. And the railways.

BY MR. FRAWLEY - The Alberta coal moving into some part of the Winnipeg markets which you previously supplied from your docks with American coal?

A. Yes.

Q. And when the railways began to use subvention coal, that is when you felt it?

A. Yes.

Q. What would you say would be a sufficient tonnage for your dock only to enable you to maintain your activities?

A. About 500,000 tons.

Q. Half a million tons a year?

A. Yes.

Q. On page 7 when you compare the 40¢ a ton with the \$6.50 per ton Alberta to Fort William, to that you have to add the railway haul to the Lake Erie port from the mine?

A. I will be glad to get that.

Q. And you have to add some discharging, dock charges, etc.?

A. Yes.

BY COMMISSIONER MORRISON - And then the Fort William coal dock, some charges?

A. Yes.

BY THE CHAIRMAN - You don't do any cleaning of coal?

A. We give the coal preparation, Pocahontas is screened, slack is taken out of it.

Q. At your dock?

A. Yes.

Q. Is the coal of the United States Industries financially interested in your dock?

A. Yes, and the Canadians.

Q. I am asking you if any coal industries of the United States are financially interested in your dock?

A. Yes.

BY MR. FRAWLEY - Does the same company that operates your company, operate other docks on the Lakes?

A. Yes.

Q. At American ports?

A. Yes.

BY COMMISSIONER MORRISON - Are they subsidiary to this company?

A. No.

Q. Or vice versa?

A. No. We are an associate company.

BY MR. FRAWLEY - Is the majority of the stock in your company held by American coal interests?

A. It is.

BY THE CHAIRMAN - What is the loss of good coal on your docks through cleaning and preparation?

A. An average of 50%.

BY COMMISSIONER McLAURIN - Are you conversant with laid-down coal prices in Fort William?

A. No.

Q. Don't know them at all?

A. No.

BY MR. FRAWLEY - You don't sell or buy coal?

A. Yes, but only on the basis of f.o.b. car prices at Fort William.

BY COMMISSIONER McLAURIN - You are familiar then with the f.o.b. prices, car lot, at Fort William?

A. Yes.

Q. And from 1930 on, to now, what was the lowest price of that nature for say Fairmont slack?

A. I don't think I can answer that.

Q. Would it be as low as \$1.00?

A. At Fort William?

Q. Yes?

A. Oh no.

Q. \$1.50?

A. No. There was no distress coal put up there.

BY COMMISSIONER MORRISON - What do you mean by distress coal?

A. I mean distress from the other side, from the United States, where they attempt to make disposition of it at any price.

BY COMMISSIONER McLAURIN - There was lots of distress coal in the United States. How did it all escape Fort William?

A. One of the policies on our docks is that we do not want anything but the best.

BY COMMISSIONER MORRISON - Any competitors in this business at the head of the Lakes?

A. Murphy Coal Company.

Q. They are the only competitors?

A. In the domestic field. Other importers have their competitors in the industrial.

BY THE CHAIRMAN - Would you mind telling the Commission what coal it is that comes to your docks, from what mines in the United States?

A. I don't get the cargo manifest.

Q. What mines supply you at your docks? The source of the coal?

A. I don't know.

BY MR. FRAWLEY - By fields.

A. I don't get any documentary evidence at all. There is Pocahontas, Elkhorn, Fairmont, and any of those steam coals from the other side.

BY THE CHAIRMAN - On all those coals do you lose 50%?

A. No. On Pocahontas.

BY MR. FRAWLEY - What do you mean?

A. There is a depreciation from the size prepared at the mine until it gets to our dock, of 50%.

Q. Degradation?

A. Yes.

Q. Of 50% from the mine to your dock?

A. Loaded into cars on our dock.

BY COMMISSIONER McLAURIN - Does that mean in price?

BY MR. FRAWLEY - The price is reflected in the degradation?

A. Yes.

Q. It starts out as lump, and until it gets in your cars the slack is 50%?

BY COMMISSIONER MORRISON - Do you say 50% of the lump coal is slack?

A. Yes.

Q. When it leaves the dock?

A. No. We pick the coal up and prepare it.

Q. Go back to the shipping point. Take a car of Pocohontas lump coal shipped from Island Creek, we will say.

A. That is steam coal.

Q. From Berwin then. That car of coal finally lands on your dock. You are telling me that 50% of that car of coal goes out as slack once it leaves your dock?

A. That is right. We don't move that slack out in that same car.

Q. The point I am getting at is that that car of lump coal eventually becomes 50% slack coal?

A. That is right; and sometimes greater.

Q. And you don't rescue some pea out of that? How much lump coal do you get?

A. You ship out 50% lump coal.

Q. Out of that car?

A. Yes. That lump coal can be trimmed down to nut size. Your pea is left in and it gives a fairly coarse Pocohontas slack for the use of public buildings, etc.

Q. It is a pretty good grade of slack if you move 50%; you have quite a bit of pea and nut?

A. No nut.

BY THE CHAIRMAN - When it gets 50% it is a mixture of pea to the ordinary lump?

A. A mixture of nut to the ordinary lump.

Q. I have been given to understand that you can throw a load of coal in a car at Pocahontas and bring it to your dock and send it away, and it all retains its original condition?

A. Oh no.

BY MR. FRAWLEY - What is your experience with Fairmont?

A. I would say about 35%.

Q. With Elkhorn stoker?

A. The Elkhorn stoker is imported as Elkhorn stoker coal, and sent out as received.

Q. And can you send it out the way you get it?

A. That is exactly what we have to do.

Q. Some degradation?

A. No.

BY COMMISSIONER MORRISON: Now this screening operation, does this service that you quote cover that screening?

A Yes, it does, that's right. Now the only time that there is any additional charge made which I have not got in there is when somebody calls for something special to be done with some coal and then there is a nominal charge of 10 cents made. Somebody might want a car of very specially sized coal or something of that kind.

Q So that in addition to this loading and unloading charge or service you are really acting as an agent for these people?

A We act almost as a common carrier. Our dock is open to the public or to whoever may have a load to put on that dock for us to handle.

Q Yes, but in addition to handling coal you prepare it and size it down to the size that the customer wants? You pretty nearly do anything that the customer wants you to do for this charge?

A That's right. The docks are equipped to do that at the Head of the Lakes.

BY MR. FRAWLEY: The brief of Industrial Consumers of Coal in Hamilton is being submitted by Professor Angus of the University.

Exhibit 177 - Brief presented on behalf of
Industrial Consumers of Coal
in Hamilton

PROFESSOR ROBERT W. ANGUS proceeds to read Exhibit 177:

Before dealing specifically with the coal situation as it affects the City of Hamilton and its industries, it might be well to consider very briefly the relative importance of this fuel in our national economy.

It is a well known fact that the prosperity of this nation and its provinces depends to a large extent on the availability of a plentiful and accessible supply of cheap power, because this enables the maximum number of people to be

producers of saleable goods instead of mere drudges laboring to produce the power necessary to the output of merchandise they desire to market. This advent of the cheap power distribution, largely through the central generating station, was one of the greatest factors in the industrial development of the past half century or more. But it must not be assumed that all power must come through electrical distribution of energy for, in many cases, such is not possible, and the nature of the industry is such that the necessary power must be produced in immediate proximity to its place of employment.

Canada is fortunate in having available the four normal sources of power, viz. waterfalls, oil, gas and coal, each of which has played a part in our national economy. In this section of the Dominion our water powers have taken a very prominent place, and the excellent work of the Hydro Electric Power Commission of Ontario has made that power available at low cost to a large proportion of the inhabitants of the Province.

The geographical location of Hamilton is peculiarly favorable in that respect, since it is only a little over 40 miles from Niagara Falls (our greatest source of water power) and about the same distance from the De Cew Falls Generating Station near St. Catharines, and originally owned in Hamilton. Bearing this fact in mind, it is only natural to expect that Hamilton will use electricity extensively and, to some extent, in its large industries, and it sets before the latter a relatively cheap and convenient form of energy with which any other source must compete. Where two or more industries are making similar products, one of which can use electric power extensively, while the other is using a manufacturing process which precludes the use of electricity on a large scale, then the second industry must use a source of energy which is not only reasonably cheap, but convenient to use, if it is to get business. This consideration must be taken into account in dealing with suitable fuels for the Hamilton district.

There are, however, a number of purposes for which electric energy is either too expensive, or unsuitable for other reasons; amongst these may be chiefly mentioned processes involving heat interchanges, such as the ordinary melting and rolling of steel, the operation of blast furnaces, the heating of buildings, the forging and casting of certain metals for specific purposes, and so on. For these purposes, some of the fuels, such as oil or natural gas or oil, must be, and are, extensively used. One class of machinery, well known to us all, is the railroad locomotive which uses oil or coal in this country since, up to the present, it has been impracticable in Canada to use electricity for this purpose. The extensive use of natural gas and oil for power and heat are well known but, as they are not being dealt with in the present investigation, space must not be given up to a discussion of them.

In discussing the problem generally, it might well be pointed out that, while our sources of water power are never failing so long as the power of the sun continues, but are constantly being renewed, yet our stores of fuel are steadily decreasing in amount; every cubic foot of such that is used decreases the available supply by that much, because the rate of replenishment is so slow. The economic employment of these fuels, then, is of very great moment if we are to leave any of them to future generations. This is pretty well recognized, especially by the large coal users for power purposes, and the story of the improvements in heat power central stations in the last twenty-five years reads like a piece of fiction.

Our railroads are amongst our largest soft coal consumers and, during 1934-1938 inclusive, the five-year period before the war, they used an average of 6,394,241 short tons of bituminous coal per year, having an average annual value of \$27,473,398, as shown in the Coal Statistics for Canada for the calendar year 1938. That the railroads have given close study to the reduction of coal consumption is shown by the results of

a recent study by the National Coal Association at Washington, in which it is stated that the current rate of consumption of coal for freight service per thousand gross ton miles in the United States has steadily fallen from 172 lbs. in 1920 to 112 lbs. in 1940, a rate practically maintained in 1944. As the same proportionate reduction doubtless took place on the Canadian railroads, the 6,366,101 tons of bituminous coal used by them in 1938, and worth \$27,940,556, would have been increased by 3,410,409 tons, worth \$14,968,155, had the 1920 rate of consumption per ton mile prevailed. This statement is not strictly accurate as it does not distinguish between coal used in yard and shunting engines and that used on long distance hauls.

Plans are now under way, and indeed locomotives have been built both in America and abroad, to still increase these savings by the use of turbines on locomotives, the latest type being the gas turbine, and it is hoped that these may, after further development, be able to make further savings. At the same time these savings are being made the cost of producing coal has, unfortunately, markedly risen, and the bituminous miners' earnings have nearly doubled since 1941.

This introduction has been written to show the general setting of the coal situation, and attention will now be given to the specific problem before the Commission in Hamilton. It is assumed that no consideration is being given by the Commission to anthracite coal, since there is no record in the Coal Statistics of any of it being produced in Canada since 1923, and even before that the amounts were relatively exceedingly small.

BITUMINOUS COAL IN CANADA

In this brief it has been deemed advisable to consider the conditions before the war, rather than those during it, because post-war conditions will probably more nearly approach the former period than the latter one. The five years, 1934-38 inclusive, have been selected and are, in general, typical of the

whole situation. During this interval the Canada Year Book for 1939 shows that the total coal produced in Canada, including bituminous, sub-bituminous and lignite, averaged 14,602,224 short tons per year, practically none of which was anthracite. Of this amount, an average of 6,460,336 tons per year, or over 44%, came from Nova Scotia, 344,627 tons per year from New Brunswick, and the balance from Saskatchewan and farther west, that from Manitoba being practically negligible.

During the years 1937 and 1938 the amounts were 7,256,954 tons and 6,231,925 tons, respectively, produced in Nova Scotia, and 364,714 tons and 329,030 tons, respectively, produced in New Brunswick. In these same two years Canada imported from the United States 12,130,825 tons and 9,466,702 tons, respectively, of bituminous coal, and of these amounts the respective quantities imported into Ontario were 10,956,144 tons and 8,850,635 tons. The quantity of American bituminous coal imported into Ontario has, thus, far exceeded the total quantity of Nova Scotia coal produced, and the industries evidently find it more convenient and economical to use the imported coal. As a matter of fact, one of the greatest industrial areas of Ontario might almost be said to centre around Hamilton, and this city is far closer to the American coal fields than to any of the Canadian fields, since the former coals are largely from West Virginia and Pennsylvania (Pittsburgh area).

The Coal Statistics state that the amount of bituminous coal imported into and retained in Ontario from the United States was 10,788,716 tons in 1937, and 8,517,268 tons in 1938, while the corresponding quantities received in Ontario from Nova Scotia, both direct and through Montreal, were 1,211,192 tons and 770,964 tons, respectively, the proportion of Nova Scotia coal showing a decrease and being in 1938 the lowest of the four years 1935-1938.

BY THE CHAIRMAN: At that point, do you notice that the importations of American coal fell 2,000,000 tons also during that period?

A Yes.

Q And did that mean that hydro and that kind of thing replaced that amount of coal?

A I don't know, sir. I imagine that it was the industrial conditions that did it; it would not be extra use of electrical energy. (Continues brief):

Unfortunately, there are no statistics available, so far as the writer can find out, to show how much coal reached Hamilton from various sources, but the records do show that 1,465,280 tons of bituminous coal from the United States were imported through the Port of Hamilton in 1937, and 1,434,044 tons in 1938. (The corresponding quantities for the Port of Toronto were 1,371,199 tons and 1,037,320 tons.)

So far as could be learned by inquiry at the offices of the Dominion Steel and Coal Corporation in Toronto, the amount of Nova Scotia coal used annually in the Toronto area before the war was in the neighbourhood of 100,000 tons, while that used in the Hamilton area was but a few thousand tons. However accurate and reliable these figures are, it is clear that, in the Hamilton area at least, almost all the bituminous coal used was imported mostly from the United States and the reasons therefor appear to be as follows.

(1) Closer Location of the American Mines

The principal sources of bituminous coal imported from the United States are the Fairmount field in West Virginia and the Pittsburgh field. Pittsburgh is 320 miles, by rail, from Hamilton, while the West Virginia field is only about 70 miles further away. Both of these fields are inland, but there are ample facilities for bringing their coal to Lake ports, from which it may be moved by boat direct to Hamilton.

Contrast this with the situation of the mines in Nova Scotia. Sydney is over 1000 miles by sea (it is 985 miles by rail) from Montreal, and boats of 7000 tons to 12,000 tons capacity are regularly employed to bring the coal to Montreal,

according to a booklet issued by the Dominion Coal Company, Ltd. Since these large boats are unsuitable for traffic up the St. Lawrence, the coal for Toronto and Hamilton is stored in Montreal, where there is capacity of about 500,000 tons, and transhipped by rail or boat to its destinations. In 1936, about 18 per cent was shipped into Ontario by boat and 82 per cent by rail; the rail distance from Montreal to Hamilton is 380 miles. Thus, after the Nova Scotia coal has made its 1000-mile sea trip it is still as far from Hamilton as the American mines are.

If boats are used to Hamilton, coal storage space must be provided, and since lake navigation is open longer than that on the St. Lawrence (which is about six or seven months), the storage space required for American coal will be less than that for Nova Scotia coal.

BY THE CHAIRMAN: How does the rail haul from Montreal to Hamilton compare with the rail haul from Pittsburgh sources to Lake ports? 320 miles from Pittsburgh, and from Montreal to Hamilton is how many miles?

PROFESSOR ANGUS: About 370 miles.

BY COMMISSIONER MORRISON: Have you got the corresponding figures on the rail haul in both instances, Professor Angus?

PROFESSOR ANGUS: Yes sir, they are in the next paragraph. (Continues brief):

The present rail freight rate from Sydney to Hamilton is \$6.10 per ton (exclusive of the 70 cents per ton subsidy). In making up these figures I have not taken into account either subsidies or customs duties, because they can be adjusted, and I have tried to put costs. That from the Pittsburgh field is \$3.24 per ton, exclusive of the present (temporary ?) U.S. exchange surtax and the U.S. Government transportation tax.

BY THE CHAIRMAN: Just a moment there. The present rail freight rate from Sydney to Hamilton is \$6.10. Now does that take the whole 1500 or 1300, 1400 miles or whatever it may be? A Rail all the way, sir.

Q But you are aware, of course, that on coal from Sydney to Montreal, thence to Hamilton, the rates would be much lower than that?

A Yes sir. Most of the coal is brought by boat to Montreal and from there to Hamilton.

BY COMMISSIONER McLAURIN: You cover that on this page, do you not?

BY COMMISSIONER MORRISON: Yes, it is covered in the last paragraph.

PROFESSOR ANGUS continues brief:

Obviously, Nova Scotia coal is at a great disadvantage if it must be shipped all the way by rail. On the other hand, if shipped from Sydney to Hamilton entirely by water, the freight rate of \$1.10 per ton is less than the rail rate on coal from the Pittsburgh field, e.g., from Braddock, Pa., to a lake port this is \$1.56 per ton, exclusive of exchange and any special tax. To this rate must be added 35 cents per ton for lake freight to Hamilton, and possibly 10 cents per ton transfer charge from train to boat. This gives \$2.01 per ton freight on Pittsburgh coal.

But almost all Nova Scotia coal is shipped by boat from Sydney to Montreal, and by train from Montreal to Hamilton, as has already been stated. For such shipment the pre-war boat rate was 50 cents per ton (that was changed during the war. I have given the pre-war rate) plus transfer charge of about 10 cents per ton, and rail freight Montreal to Hamilton at \$3.00 per ton, or a total of \$3.60 per ton. This is to be compared with the rate of \$2.01 per ton for coal from the Pittsburgh area to Hamilton.

BY MR. FRAWLEY: Was there any considerable movement by canaller, transferred into canalliers at Three Rivers and then up to Hamilton?

PROFESSOR ANGUS: I only know that from the pamphlet that the Dominion Coal Company issued, and that give those figures, 18 and 72 per cent. It is rather difficult to get at

those figures and I had to take what I could get.

BY MR. FRAWLEY: That is what Dosco told you?

PROFESSOR ANGUS: That is what is in their pamphlet.

(Continues brief):

(2) Relative Costs of Mining American and Nova Scotia Coals

Nova Scotia coal deposits are mostly under the bed of the ocean and the mining is costly. The average distance miners have to travel in the Dominion and Scotia mines to work is 2.86 miles, requiring about 39 minutes (McCall C.I.M.M. March 1936), while the maximum distance is 5.21 miles. Thus, on the average, 78 minutes per shift is taken up in getting the men to and from the coal face after they enter the mine. These statements give a clue to the reason for the high cost of mining Nova Scotia coal.

The price per ton of Nova Scotia coal at the mines, in 1938, for run of mine coal, varied from \$4.16 to \$3.43, and for lump coal the figures were \$5.15 and \$4.02. The average value of all the bituminous coal raised, f.o.b. mines, Nova Scotia, was \$3.53 in 1937, and \$3.61 in 1938. For the latter two years the average output per man per day was 2.21 tons and 2.24 tons, respectively, but in 1943 the output fell to 1.81 tons, the lowest since records were kept.

They are lower than that still.

BY THE CHAIRMAN: Much lower than that. I saw the other day for the first 6-month period 1.61. It didn't come officially from the Dominion Coal; I think the Mines Department gave it.

PROFESSOR ANGUS continues brief:

For American bituminous coals the Minerals Year Book of the U.S. Department of the Interior, Bureau of Mines, gives the average value per ton, f.o.b. mines, as \$1.95 in 1937 and \$1.96 in 1938 for the whole United States and would, of course, vary somewhat by districts. In the Pennsylvania fields the average output per man per day was 4.40 tons in 1938, while in the West Virginia fields the figure was 5.16 tons in that year.

These figures show that f.o.b. mines, the cost of American coal is a little over half that of Nova Scotia coal.

(3) Quality of the Coal

There is no doubt whatever that Nova Scotia coal can be successfully and economically burned in power boilers but, in general, if the output is to be maintained a somewhat different setting is required than for most American coals. In "Analyses of Coals and Other Solid Fuels - 1934-36", issued by the Department of Mines and Resources, Ottawa, coals from the Sydney area contain approximately 34 per cent volatile matter, 56 per cent fixed carbon, 8 to 10 per cent ash and somewhat over 3 per cent sulphur, with a softening temperature of the ash above 2000 deg. Fahrenheit for slack and about 2100 deg. for other coal.

The high sulphur content produces a troublesome ash of a metallic nature and which is harmful to furnaces not built with highly refractive or water cooled walls.

Pocahontas coal from West Virginia, much used in Canada, contains less than one per cent sulphur and its ash softening temperature is over 2200 deg. F., while Pittsburgh coal is also generally low in sulphur and has an ash softening temperature often above 2500 deg. F.; that from the Freeport area is similar. These results are taken from the above publication.

Undoubtedly, American coals are easier to burn in ordinary boilers, but practically all new boilers of moderate or large size are being so set that all grades of fuel can be burned in them. The older boilers and settings would, however, not give as high power or efficiency with Nova Scotia coal that they would with the grades of American coals available.

COAL IN HAMILTON INDUSTRIES

That the Hamilton industries are large coal users is indicated, at least partially, by the statement on page 7 of this brief, that more American bituminous coal passes through the Port of Hamilton than through the Port of Toronto, although the latter is a very much larger city. Just how much of the coal

imported in them is used in these cities it is difficult to say, because coal is distributed from these ports to areas in Ontario, but still the figures give an indication of the importance of the question to Hamilton, and particularly to its industries.

In order to get definite information as to the coal used under boilers, data have been obtained from fourteen industries consuming a total of approximately 90,000 tons of bituminous coal per year. Coking coal as used by the Hamilton By-Product Coke Owens, Limited, and the Steel Company of Canada, Limited, has not been included in this survey, although the tonnage is large. Such coals for the production of domestic fuel, metallurgical coke and domestic gas require special properties and, admittedly, Nova Scotia coals are decidedly inferior to Pennsylvania, Kentucky and West Virginia coals, which are available in large amounts at much lower delivered costs.

BY THE CHAIRMAN: Have you got any information on this: Is there any one presently operated mine in the United States, the production of which is almost perfect for coke-making without mixture?

PROFESSOR ANGUS: I can't tell you, sir. (Continues brief)

One of the industries submitting data, uses American bituminous coal for furnaces only, but all the others use the coal under boilers varying in size from about 1750 H.P. down to small boilers used for heating and for operation of cranes. Some of the boilers are relatively new, with modern water walls and improved settings, but most of them are old, with ordinary settings, and while some are hand fired and use natural draft, many have stokers and forced draft.

In all, data were submitted by the fourteen industries on 45 boilers, only two of which were below 60 H.P., since smaller boilers used for operating cranes, etc., are not included in the above number. Of the 45 there were two with a capacity of 60,000 lbs. of steam per hour (about 1750 H.P.) each, and the average capacity of all of them was 345 H.P., so that the list

represents a fairly large type of construction. 26 of the boilers have natural draft and the rest forced draft. Only 10 of the boilers are hand fired, one of the others uses an overfeed stoker and the remaining 34 are equipped with underfeed stokers, mostly of the single retort type, although there are a few multiple retort underfeed stokers amongst them.

The type of setting is representative of most plants using boilers and only seven of them have water walls, these being mostly in plants recently increased in size due to the war, but in the industries where boiler capacity did not have to be materially increased, the older normal type of equipment is still in use and, in all probability, will continue so for years to come. While the industries reporting represent only a few of those in Hamilton using coal, it is safe to say that the boilers in the other industries would not be any more modern than those studied, and, indeed, it is extremely improbable that many of them would have the latest settings.

Using the tables given in "Analyses of Coals and Other Solid Fuels - 1934-1936" it was found that the average sulphur in coals of the Dominion Steel and Coal Corporation was 2.80 per cent, and of all the Nova Scotia coals reported there, was 3.50 per cent (pages 4-12), while the samples of slack from various hospitals showed 3.04 per cent. Of American bituminous coals, Pocahontas, according to the same source, contains 0.6 per cent sulphur, while the average for all coals reported was 1.69%.

The softening temperature of the ash in the Nova Scotia coals mentioned above averaged 2102 deg. F., for the first group, and 2118 deg. for all of them, while for the samples of slack from the various hospitals, it averaged 2037 deg. For Pocahontas coal this temperature was 2260 deg. and for all the American bituminous coals reported it was 2374 deg., and much of the American bituminous coal used here has an ash softening temperature of around 2500 deg. The American coals referred to were all from Pennsylvania and West Virginia.

While coals with high sulphur content and low ash softening temperature can be successfully burned, they usually cause quite serious difficulties, since the sulphur produces an acid slag which attacks the refractories and the metal in the boiler, whereas the low softening temperatures cause the ash to melt and flow and run down through the grates, thus clogging them up, and interfering with the draft; cleaning this fused ash out of the furnace is very difficult.

The book "Analyses of Coal and Other Solid Fuels - 1934 to 1936", issued by the Department of Mines and Resources of Canada, already referred to, further shows that the ash from Nova Scotia coals contains a very large proportion of iron oxide, and the metallic nature of the ash causes it to form very hard clinkers and to stick to the furnace walls so tenaciously that the walls of ordinary furnaces are seriously injured in trying to remove these adhesions.

These facts clearly show that, where ordinary settings are in use, Nova Scotia coal can only be successfully burned where the temperature of the fire is low enough to prevent flow of the ash, and where the draft on the underfeed stoker is not high enough to drive the ash and clinker against the refractories. In other words, they can be used only if the boilers are operated at low loads, or at an appreciable per cent lower than the normal load carried with good coals. This is naturally a restriction to which most industrialists would strongly object, because it might easily mean forcing them to increase their installed boiler capacity and would certainly prevent overloads being carried.

COALS NOT USED UNDER BOILERS

The foregoing discussion does not refer to coal used for any other purpose than steam production, except in one special case. It has already been stated that some large companies are not included in this brief, although these companies use large quantities of coal for other than power purposes, but as such coal is of a special grade and could not be replaced by Nova

Scotia coal, it has not been considered as coming within this study.

SUMMARY

As far as Hamilton is concerned, the case may be generally summarized as follows:

(a) The freight rate from the Nova Scotia mine to Hamilton (boat and rail) is \$3.60 per ton, making no allowance for Government assistance, while that on American coal, if carried by boat and rail is \$2.01 per ton, not taking into account exchange, duty or other charges which exist due to the war.

BY MR. FRAWLEY: The duty of course is a permanent thing?

PROFESSOR ANGUS: Yes. As that can be varied up and down I left it out. It is a variable thing and I just put the costs in here. (Continues brief):

(b) The cost of Nova Scotia coal at the mine varied from \$3.53 in 1937 to \$3.61 in 1938, while American bituminous coals, averaging the entire United States, cost \$1.95 in 1937 and \$1.96 in 1938 at the mine.

(c) The nature of Nova Scotia coal is such that, in general, boilers using it would have to run at lower capacity than if using American coal, and with most boilers now in use, overloads would not be possible.

The first two items (a) and (b) show that the cost of mining Nova Scotia coal and shipping it to Hamilton by rail and boat is much higher per ton than American coal (rail and boat freight), not allowing for exchange or American war charges, a difference which would have to be made up by Government duty or subvention, to make competition possible, but even that would not take into account item (c) which cannot be evaluated. That the amount of money involved is not small is evident when it is remembered that over 1,400,000 tons of American bituminous coal was entered in the Port of Hamilton in 1937 and also in 1938.

BY THE CHAIRMAN: Are you making any recommendations to the Commission?

- A The industrialists didn't ask me to make any recommendations. I simply showed the facts, and the facts seem to me to speak so strongly for themselves that it was not necessary to say anything further.
- Q May I infer then from the facts you have given us that your recommendation, if you were making any, would be that Nova Scotia coal should be shut out of the market of Toronto and Hamilton altogether?
- A No, I wouldn't say that, but for power purposes, and with the equipment at present in use that would be so, I would say, but of course if those companies are going to increase their plants they might put in new boilers and use it.
- Q I noticed that the gentleman who spoke here this morning on behalf of Hamilton Coking and Gas said that he used to order Nova Scotia coal and couldn't get it for some reason or other. Do you think if it was an uneconomic thing that he would do that?
- A It seemed an odd thing to me that it should be that way.
- Q Well, that is the testimony he gave this morning.
- A Some of the industrialists told me they had tried Nova Scotia coal and none of them had any satisfaction with it with the settings they have.
- Q And when you talk about the comparative sulphur content of Nova Scotia and American coal, is that as laid down at the plant cleaned and ready for use?
- A Those samples were taken by the Government.
- Q Was that after being cleaned and prepared?
- A It was ready for use in the boiler room.
- Q You don't know whether it would be in a prepared state or not?
- A No sir, it was the graded coal they sold.
- BY COMMISSIONER MORRISON: It might be coal that had gone through a cleaning plant in one instance and not in another?
- A Exactly, but that would not take the sulphur out.
- BY COMMISSIONER McLAURIN: Oh yes.

BY COMMISSIONER MORRISON: Cleaning would take some of it out.

BY THE CHAIRMAN: You don't deal with subventions? You don't deal with the fact of comparative costs taking into account subventions?

A No sir. What I have shown here is there is a difference of \$3.15 between the cost of the coal.

Q Yes, and the freight rates?

A Yes sir.

Q And in showing the difference between the freight rates have you taken into account the assistance that Nova Scotia coal gets from the Government in subventions?

A No sir.

Q Well then, it is just not a very clear picture of the costs of coal to Hamilton, that is in the years that we had subventions it is not a very clear picture of the coal cost to the consumer?

A Well, the reason I didn't do that, sir ---

Q I am not asking you. I am only suggesting that it is not a very clear picture.

A I think it is clear enough because the subventions are adjustable in any way one likes.

Q I know, but we have got to face realisms and we have had the subventions since 1932 and certainly when you are comparing the costs of coal through those years you should have taken that into consideration and shown actually what it is costing the people of Hamilton, the difference between American coal they get and Nova Scotia coal. That's all I am saying.

A I possibly should, sir. I wasn't in any way trying to color the picture but just to state the facts.

Q I am not saying you did, but just bring that to your attention, and I want to have it on the record.

BY MR. FRAWLEY: You say on page 9 that the rail freight rate from Sydney to Hamilton is \$6.10. Mr. Matheson tells me that is \$5.40.

A I guess \$6.10 does not consider subventions.

Q I think what Mr. Matheson is saying, it actually is \$5.40.
Where did you get the \$6.10?

A I got it from one of the Hamilton industrialists. He was a large importer of coal and I presumed it was right.

MR. RAND MATHESON: The tariff rate is \$5.40.

BY THE CHAIRMAN: You are putting that on the record?

BY MR. FRAWLEY: The tariff rate on coal, Sydney to Hamilton, is \$5.40 per ton, not \$6.10, Mr. Matheson tells me, and the 70 cents to which reference is made on page 9 is likely the difference in the rate between the rate before the Maritime Freight Rates Act and the rate subsequent thereto. Do you know about that, Mr. Angus?

A No sir.

BY COMMISSIONER MORRISON: But the railways actually receive \$6.10, don't they? Somebody else pays the 70 cents.

MR. MATHESON: Wherever he got the \$6.10 I don't know. The railways receive an amount in addition to \$5.40.

BY MR. FRAWLEY: Then they do get the \$6.10, although they get some of it from the Government of Canada under the Maritime Freight Rates Act.

BY COMMISSIONER MORRISON: Then Mr. Angus is perfectly right in saying that the rate is \$6.10?

BY THE CHAIRMAN: That is not what goes into the cost of coal laid down in Hamilton; that is \$5.40.

BY MR. FRAWLEY: That's right, because the Government pays the other.

BY COMMISSIONER McLAURIN: What is the reduction under the Maritime Freight Rates Act?

BY MR. FRAWLEY: 20 per cent.

BY COMMISSIONER MORRISON: A rose by any other name ---

BY THE CHAIRMAN: It is something that should have been given to us before Confederation.

BY COMMISSIONER McLaurin: If you had claimed it then you might never have got in.

Exhibit 178 - Submission of W. A. Caunt,
Burlington, Ont., "Low Temperature Carbonization of
Bituminous Coal"

W. A. CAUNT: I do appreciate this opportunity of laying this matter before you. I had, Mr. Chairman, a letter from the Minister of Mines of Nova Scotia--I have been corresponding with him at different times in the last few years--and he recommended that I try to reach you one of those days. This may be a time to reach you all together at a time when you are most earnestly, I can see, trying to find the answer to the many problems of the coal business. (Proceeds to read Exhibit 178):

SUBJECT: "Low Temperature Carbonization of Bituminous Coal, and its Application to the Coal Problems of Ontario"

After some 15 years study of the records of progress in the art of "coking coal at about one-half the temperature normally used in gas-works practice"; and the experience gained in the building and operating of four distinct unit retorts, the following comments by a "layman" as to the future possibilities of this method of "coal processing" may be of interest to those following the trend in modern coal utilization.

The writer's interest in this fascinating subject was first aroused by the reading of a Memorandum by the Hon. Charles Stewart, former Minister of Mines, published in the December 9th, 1927 issue of "The Canadian Mining Journal", extracts from which comprise page A-1 of the appendix to this brief, which I will now read:

"LOW TEMPERATURE CARBONIZATION and COAL LIQUEFACTION IN EUROPE"

"Coal is one of the most important natural resources that any country may have. It enters so intimately into the economic life of a people that those nations which have a safe and certain supply may well be considered as the favoured nations of the earth. Those nations which are inadequately provided with this

natural resource are continually faced with a problem born of dependence upon the good will of foreign nations, and this problem becomes accentuated in times of stress or strife."

"On the other hand those nations with adequate supplies, while having nothing to fear from a shortage, are beginning to realize that a duty devolves upon them, for one reason or another, to utilize to greater advantage the various chemical compounds of which coal is composed. In addition, the uses to which coal may be put are changing, particularly in the older and more highly industrialized countries of the world. Up to recent years it has been employed mainly as a fuel to be used for the generation of heat and the development of power. Today it is gaining increasing value as a raw material for a variety of chemical industries. World leadership has in the past lain with those nations having and using their coal resources, and with the increased value accruing to coal, this leadership is bound to be maintained."

"We have in this condition the reason for the enormously increased interest that has been taken in recent years in coal, and the publicity that has been given to the greater and more efficient use of the materials that are latent in it. Industry in certain quarters is being revolutionized by it; the channels of trade are being affected, and many new industries are springing up."

"A realization of these tendencies in Europe, and the possibility of some of these new developments being applied to Canadian conditions was one of the reasons for our recent trip to Great Britain, France and Germany. The initial reason was a desire to enquire into the actual status of the low temperature method of carbonizing coal and to find out what success had been attained by experimenters working on the problem of converting coal into oil or producing oil synthetically."

"Conclusions as to the status of low temperature carbonization were reached, not only as a result of our own observations, but

after discussion of the problem with a number of engineers interested in the carbonization of coal. Those conclusions are, first of all that extraordinary interest is being shown in developing processes, particularly in Great Britain and Germany, where in the one case the production of a smokeless fuel is the object aimed at, and in the other the maximum yield of oil and other by-products from the coal. The majority of these processes are still being experimented with on a laboratory scale.".....

We know that Germany, producing oil from coal during the last 10 years got to the point where she could produce 5,000,000 tons a year of oil from coal. That is something that cost us a lot of money to find out about. (Continues brief): "In conclusion it may be said that as a result of our observations in Europe one thing stands out clearly and forcibly, namely, that coal is a far more valuable asset today to any country possessing it than it was to the last generation, and it will be still more valuable to the coming generations.... and with courage, vision and technical skill our coal resources may be made the cause of bringing new life and industries ... to the whole of Canada."

There is much more to that, it is four or five times longer than that; there is a lot of technical stuff. That is 1927.

BY THE CHAIRMAN: We will take it as read.

MR. CAUNT: I will return now to my submission:

Further interest was aroused by the building and operating of the "Piron-Caraacristi" low temperature carbonization plant at Windsor (where the writer lived at that time) and the opportunity afforded by some of the Ford Motor Company engineers to discuss with them their experiences and views on the future of that and other known processes of coal carbonization at "low" temperatures. While this \$3,000,000 Ford experiment was closed down and dismantled after about two years operation, and was

regarded by many as a "failure", several major points of this type of endeavour were proven beyond question. First was the folly of building large-size unit retorts, which proved to be cumbersome and brought about frequent shut-downs due to its complicated design. Nevertheless, it was definitely established by the burning of some 8,000 tons of low temperature coke produced that this form of smokeless fuel was ideal for pulverized fuel firing in place of the raw coal formerly used under the very large boilers at the Ford steam-electric power-house.

Two other points were also established: one, that a yield of tar-oils and, the other, a plentiful supply of rich gas almost the equal of natural gas could be recovered from power-house coal BEFORE burning it. Therefore the application of this idea to large industries, especially those which are large users of oil or gas for various heat-treating furnaces, would seem to be a very wide and fertile field. To name only a few of these large industries with which the writer is familiar: International Harvester Co., Hamilton; Massey-Harris Co., Brantford and Toronto; National Steel Car Co., Hamilton; General Motors Co., Oshawa and Windsor; also Ford Motor Co. and the C.I.L. at Windsor; these and many others are in the same category. An immense field for post-war endeavour lies in the industrial area from Hamilton to Windsor where natural gas output has dropped from $13\frac{1}{2}$ to 7 billion cubic feet annually since five years ago. It is a prime necessity to find or build other means of providing a good gas supply for the 100,000 gas users in this area, and it is the writer's opinion that more gas than will ever be needed" can be recovered from the industrial coal burned in this area, if all parties concerned will co-operate fully and fairly in organizing this new industry of "coking all coal before burning it."

BY MR. FRAWLEY: I am told that one way of finding a gas supply for the people of that area is to bring it in from the Pan-Handle of Texas by pipe-line?

MR. CAUNT: That is being tried now, sir.

BY MR. FRAWLEY: That would be pretty stiff opposition for the coal-made gas, wouldn't it?

MR. CAUNT: It would, yes, but will they ever get it through? If you have read the papers you would know that the cities of Detroit and Pontiac are raising strong objection to that going through, because they claim they are going to need all that gas, and the company even now that is being asked to supply the gas cannot now supply the gas of the Detroit area.

BY MR. FRAWLEY: The threat is there as long as people are trying to get it in. It would make capital rather timid to go into a coal gas plant.

MR. CAUNT: It would at the time. We will know all about it in another month. (Continues brief):

About the time that the Ford "low temperature" plant was being dismantled, another large project of the same kind was being built at New Brunswick, New Jersey, by the Combustion Engineering Company of New York. This plant comprised 8 unit retorts, each made in the form of a large rotary coal-dryer measuring roughly 72 feet long and 10 feet in diameter, weight 175 tons, supported at both ends on rollers, but with no support at all throughout the entire length due to each being set in a huge furnace with only the ends projecting. When one of these was brought up to operating temperature, say 1100 degrees F. (a dull-red heat), it tended to distort or collapse even though strengthened on the inside through its whole length by a sort of "backbone" inner retort through which the incoming coal first passed and thus tended, or was intended, to keep this inner tube cool enough to be "dark" and therefore rigid. However, this plant never operated very long at a time due to these obvious mistakes of again choosing too large and cumbersome a design. It was reported to have cost approximately \$6,000,000.

It may be that the failure of these two large attempts to commercialize low temperature carbonization, perhaps also influenced by the great depression and second great war immediately

following, was the reason that capital and Government shied away from further building of such plants to process coal at "Low Temperature".

The Dominion Government had a staff over to see a plant operating in Wales at that time. I have the book they published at that time, 1929. It speaks in glowing terms of the qualities of Nova Scotia coal made into coke in that plant tired in all sorts of heating equipment at that station, and it says that the coke made from typical Sydney coal is not only equal to American anthracite but has many of the desirable burning qualities of Welsh anthracite. I have tried time and again to get a hearing for the building of these retorts. I got no hearing, no sympathy from anyone.

BY COMMISSIONER McLAURIN: You couldn't get anyone that is interested in making a dollar to go for your proposition?

BY MR. FRAWLEY: Who was making the comparison between Sydney bituminous and American anthracite?

A The fuel testing station.

Q Where?

A At Ottawa. A book published in 1929. I will bring a copy in the morning. (Continues brief):

In England, however, encouraged perhaps by the desire to go into the large-scale manufacture of a smokeless fuel for domestic use, and possibly with an eye on Germany at the time, where tremendous efforts were in progress to provide vast quantities of "oil from coal" by various means, quite a number of large plants of this type have been built and, presumably, are operating steadily and are by this time soundly established. It should be borne in mind, however, that most of these British low-temperature plants are operating on "non-coking" coals of which there is an abundance over there, whereas most of the coals readily available to central Canada are of a strongly coking type, and therefore pass through a very troublesome plastic or "sticky" stage during the processing period. It is quite likely

that this fact has been the "sticker" with most engineers contemplating the erection of any further low temperature plants in the eastern United States or Canada, except the one plant of the Pittsburgh Coal Co. near Pittsburgh.

BY MR. FRAWLEY: That is what they call Disco?

MR. CAUNT: Disco, yes sir. (Continues brief):

There are, of course, two plants operating on a "non-sticky" coal....LIGNITE; one at Bienfait, Saskatchewan, and the other at Dickenson, North Dakota, both of the "LURGI" design, of which there are many in Germany.

It is known to most of us in the coal business that the coking of coal at large gas-works is done in stationary batches at "high" temperature, usually about 2500 F.; and that in order to stand this white-hot temperature it is necessary that the retorts be of high quality fire-brick or refractory tile. On the other hand, since the gas and tar can be distilled from common soft coal at half that temperature (say 1100 to 1200 F) it is possible to use metal retorts, in which case some mechanical means can be employed to stir or push forward the coal charge to enable the lower heat to more quickly penetrate the coal particles or entire coal charge in the retort. Since this is very much a "mechanical age" we are living in, it should not be difficult to design a standardized retort which would function continuously at this moderate heat. The experience of the Ford engineers at Windsor enabled them to visualize this type of retort, and one of them to declare that, "When such a machine is perfected, it would not be long before more coal is carbonized at low temperature than is now carbonized at high temperature." (That was John H. Anderson, the man that designed and built the Ford job and operated it). The writer, therefore, has made a study of various simple mechanical means of passing coal "slack" through some design of moderate heat zone, and believes he has at last arrived at a type, size and shape of Low Temperature Retort which has apparently all the

earmarks of becoming a standard design which can be made under modern production methods in large numbers, and in a minimum of time.

Assuming, for the time being, that such a retort is now perfected to the point where one complete plant can be built, with every chance of its becoming a permanent success, where is the best place to install and attempt to operate it continuously? Alongside some existing gas-works where its output of gas can be purchased day and night, and stored together with their regular gas output in existing gas-holders; or alongside the steam-plant of some large industry which is a large user of coal, and oil or gas, so that the gas produced can be used as gas and even replace the oil now used? In the second case, because most of the industries work only during the daytime, the building of a gas-holder becomes necessary.

I can tell you a sad story of the decline of the gas industry in Ontario, the sad case of Belleville being in debt to the extent of \$270,000 with a gas plant of modern design, just like Guelph, the finest in the country, and yet the Belleville gas business is a dismal failure. There were other places. In fact there was Cobourg which dwindled and dwindled and gas had to be sold at \$2.50 a thousand, and Port Hope the same; finally had to be closed down and sold for junk. Port Hope sold for \$850 and Cobourg for \$300, I think. And we all know the story of the gas works at Hamilton. You know something of that already. However, that is a long story. (Continues brief):

The writer's preference is alongside some smaller-town gas-works, some of which are sadly in need of replacement, and some of which use large amounts of oil to "spray" into the hot gas as made by the well-known water-gas system, in order to enrich that lean gas up to the Government minimum of at least 450 BTU per cubic foot. Samples of these plants are to be found in Kitchener (which also supplies the town of Waterloo), Oshawa, Peterborough, Kingston and Brockville.

and since there is ample proof in the published reports of the Ontario Research Foundation, and the Division of Fuels and Fuel Testing at Ottawa, that a "low temperature" coke is the equal of American anthracite, the production of this remarkable household fuel in connection with the production of a city gas supply, or an enriching gas to add to that city's gas supply, would seem to be of material benefit to any such community and should be supported by the officials of that city as well as by the householders themselves. It is quite conceivable that some sound method of financing such a project could be worked out between the city, its people, the Provincial Government, and no doubt with the co-operation of the Federal Government, which in the end rules over supplies of all fuels through the office of the Coal Controller.

What should be done with the 20 gallons of complex tar-oils recoverable from each ton of coal processed in this way, it is something which again should be guided by the Federal Government, which through its Fuel Testing Station has trained specialists and facilities for determining the simplest methods of separating these tar-oils into gasoline, diesel oil, fuel oil, tar acids such as carbolic and cresotes, and perhaps many other chemicals which can be put to good use in the years to come.

May I refer to your hearings in Nova Scotia which were summarized in the "Financial Post" issue of February 10th this year, "Government aid to wider markets is theme of briefs at coal probe." In every place I notice it was suggested to you that the coal business now requires a scientific approach and research. It is summarized here. (Reads extracts from "Financial Post" report of Nova Scotia hearings, including the charge by Dr. Boyle that the Mines Department had "abdicated its functions")

BY THE CHAIRMAN: Well, that is something you quote of Dr. Boyle. As a matter of fact I took it upon myself afterwards to write to the parties who were responsible for that brief and

ask them if they had anything to prove that.

BY COMMISSIONER MORRISON: Of course these are submissions already made and we have a very full record of that verbatim.

MR. CAUNT continues brief:

If the United States Government is sufficiently worried about its future oil supply to be spending right now the sum of \$30,000,000 to build trial plants of commercial size to make oil from coal, lignite, oil-shale, tar sands, etc., surely our own Federal Government should be doing the same thing on a proportionate scale! In a recent report published by the U. S. Government there is an account of the visit of two of their Bureau of Mines experts to a plant in the North of England, where they saw a "hydrogenation" plant which, during the most critical stages of the war was producing 3500 barrels a day of high-octane gasoline from the low temperature tars drawn from the various British plants of this type. (I will ask the privilege of making a little change there. In the evidence the expert gives the evidence is not only low temperature tars but high temperature tars.)

In sheer self-defence Canada should know how to do these things and be doing them as quickly as possible on an adequate scale.

SUMMARY

(1) In a Memorandum published by the Dominion Government's Minister of Mines, the Hon. Charles Stewart, dated March 9th, 1927, it was recommended that Canada investigate and prepare to adopt methods of carbonizing coal at "low temperature". Studies of coal liquefaction as being experimented with in Germany were also suggested.

(2) From 1928 onwards, four different "Caunt" retorts for the low temperature carbonization of bituminous coal were built, and each tested, and one of them operated for a 5-weeks test period, on many kinds of American coal, one typical Al-

berta coal, a well-known "St. Lawrence mixture" of Nova Scotia coal, and one test on Northern Ontario lignite. One test on peat was also made. The observation of many of these tests by eminent engineers, whose services as consulting engineers are still available, proved that the following results may be expected from average U.S. or Canadian bituminous coal (per ton of coal processed):

5000 cubic feet of gas (800 BTU per cu. ft.)
20 gallons of tar-oil
1400 lbs. of coke, suitable for pulverized fuel firing,
or possibly of briquetting into a domestic fuel
equal to U.S. anthracite

You will see at the end of this brief an advertisement.

I was so fed up with this local situation two years ago that I wrote that advertisement and put it into the "Globe and Mail" myself, just to see what inquiries I might get. I got practically none at all. (Continues brief):

(3) It is recommended that a sum of \$50,000 be provided---

BY COMMISSIONER MORRISON: This costs about \$10,000 a unit, does it?

MR. CAUNT: \$5,000 a unit; a 10-unit plant, \$50,000. It requires two men to run a unit, yet those same two men could run ten. (Continues brief):

It is recommended that a sum of \$50,000 be provided for the building of a plant of 5 "Caunt" retorts, plus a small Gas Producer and a "Komarek-Greaves" briquetting machine, all housed in a suitable building of low-cost design. That this plant be erected alongside the Kitchener gas-works.

The reason I make that recommendation is that most of my recent experimental work has been done at Waterloo and more or less in connection with Kitchener too, and Kitchener has some \$150,000 earmarked towards the building of a new gas plant. They know they are faced with a \$300,000 or \$400,000 expenditure for a new one. Now they are faced with \$100,000 expenditure to repair the old one. (Continues brief):

That this plant be erected alongside the Kitchener gas-works, where its operation will provide an "enriching gas" of

800 BTU value, which added to the water-gas as made at that gas plant will result in a mixed gas of approximately 475 BTU. This enriching gas will thus replace eventually all of the 200,000 gallons of oil now used for "carburetting" their water-gas, and will finally eliminate their troubles of sticky oil and tar fouling up the gas mains of both Kitchener and Waterloo.

(4) The funds for building this 5-retort plant should eventually be raised by the sale of stock in an Ontario Provincial Charter corporation to the householders of these "Twin Cities", who in return for an investment by each householder of an average of \$100, each would thus be guaranteed a regular and dependable supply of 5 tons of smokeless briquets every winter.

I hope you see my idea. Since I have not been offered any financing from the Dominion or Provincial Governments I suggest that a community could get together a small sum of money and have not only an improvement in the quality of the gas and probably lowering the cost of the gas, but have a supply of manufactured anthracite, so to speak, made right in their own city. People would feel that their investment of \$100 a-piece would be right there where they could watch it all the time, especially if that plant could be built without going over into the States to get American engineers to do it. (Continues brief):

(5) That this plan be extended as rapidly as possible to all other manufacturing centres in Ontario, and that representatives from each of these cities meet regularly and frequently with a special "Ontario Fuel Commission" or Board set up by the Provincial Government, which would administer ALL solid fuels brought into Ontario from any quarter. (It may seem like a hare-brained scheme, gentlemen). This Board would operate much like the Hydro Commission and would actually arrange for the purchase of all the coal brought into these plants; would eventually take over what is left of the natural gas reserves, and in the end administer all solid fuels and the gas

obtainable therefrom on as nearly as possible a "public ownership" basis. The most economical disposal of the tar-oils is something to settle with the existing oil refineries in the province as we get to it.

BY THE CHAIRMAN: Thank you, sir. You have given us some food for thought anyhow.

I just want to say that if anything should happen which would justify the Mayor of Toronto in declaring a public holiday tomorrow, that is if it happens before 10 o'clock, then we will meet on Thursday at 10 o'clock; otherwise we will meet tomorrow morning.

MR. HENRY: May I say a word, Mr. Chairman? In respect to Mr. Caunt's reference to the local gas company, I don't wish to get into any discussion on the merits or demerits of his proposals, but his mention of not being able to get any satisfactory hearings from various sources, I would like to state that we gave Mr. Caunt quite numerous interviews from time to time and provided facilities for him to experiment in briquetting, and that I think is all I want to say, but we have carefully considered his various proposals.

MR. CAUNT: I notice Mr. Henry mentioned briquetting, not carbonization.

4.40 P.M. - COMMISSION ADJOURNED

ROYAL COMMISSION ON COAL

Toronto, Ont., Thursday, Aug. 16, 1945

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ROYAL COMMISSION ON COAL

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Toronto, Ont.,
August 16th, 1945.

The Royal Commission on Coal convened at Salon "C", at the Royal York Hotel, Toronto, Ont., on Thursday, August 16th, 1945, at 10:00 o'clock A.M.

PRESENT:

Honorable Mr. Justice W. F. Carroll, Chairman.

Honorable Mr. Justice C. J. McLaurin, Commissioner.

Angus J. Morrison, Esq., Commissioner.

J. J. Frawley, K. C., Commission Counsel.

Robert D. Howland, Secretary.

BY THE CHAIRMAN - I don't think there will be any inconvenience caused to anyone by the change made in the place of meeting. We made it in good faith, and there is a gentleman over at the Court House to advise anyone over there that we are meeting here.

FRANK W. SMITH called, EXAMINED BY MR. FRAWLEY

Q. You are here on behalf of the Owen Sound Board of Trade?

A. Yes Sir.

Q. And you have a brief to present on behalf of that body?

A. Yes sir.

Q. Will you go ahead with the brief, Mr. Smith.

BY MR. SMITH - In reading this brief to your Commission I do so on behalf of the Owen Sound Board of Trade, with the idea of a suggestion to this Commission as to the handling of Alberta fuel in Central Ontario.

Mr. Smith then read the brief -

EXHIBIT 179 - Brief submitted by Owen Sound Board of Trade.

as follows:-

"In approaching the question of Canadian Coal, we of the Owen Sound Board of Trade, in presenting this Brief, do so in what we consider to be the best interests of Canada as a nation.

We in Canada have been unable, during the past decade, to materially increase our population, and have lost to

the United States a large percentage of our Canadian born citizens. We contend that to hold our natural increase of population and to secure any worth while immigration, it will be necessary to develop Canadian natural resources to a greater extent. The non use of Eastern and Western Canada products by Central Canada has created a considerable separatist feeling in both East and West and, in the interest of a united Canada, action must be taken industrially to unite our nation.

Leading our Canadian natural resources, we believe we can place our coal deposit first, as we are advised on Canadian Government authority that the estimated Canadian coal reserves total 1234 billion tons of every shade and variety and our coal reserves are only exceeded by United States and China.

As a foundation for a nation's economy, coal takes a leading place. It is a well known fact that an industrial Germany was made possible by the coal deposits of the Saar Basin; that industrial England was made possible by the coal deposits of Northern England and Wales; and that industrial United States was made possible by the coal deposits of the Central, Southern, and Western States.

Canada's pre-war output of all types of coal totalled 18 million tons, while the imports of American coal of all types totalled 25 million tons. While our imports from United States totalled close to 60% of the entire consumption of Canada, it only represents about 3% of the total United States production and any policy set up to replace United States coals by the use of Canadian coals would therefore in no way upset the economy of the United States.

During the past few years the price at the mines for American Anthracite and other Domestic coals has increased to the point where it is now approximately 100% higher. This condition reacted directly on the price to the Consumer in Canada up to the time, when, on account of war conditions, the Canadian Government placed a ceiling price on fuel to the Consumer and for the past three years of war conditions the Government has been subsidizing

this commodity to the benefit of the consuming public.

It is reasonable to believe that this policy of Government subsidy will be withdrawn under normal conditions and this will mean considerable added cost to the consumer when such subsidies are removed. Even if Canadian citizens are prepared to pay this extra price, we are dependent on United States labour conditions for our supply, and during the past two years that condition has been so unstable that the supply has always been short and we have no guarantee that the future will be any better. From an economic standpoint the purchase of United States fuel is one of the biggest single items in creating the adverse trade balance with our Southern neighbour, thereby deflating the value of our Canadian dollar.

Situated as we are in Canada north of the 44th parallel, it is necessary that we have heat in our homes and places of business for eight months in the year. This being a recognized fact, we therefore contend that it is the duty of the Government of Canada to see that the Canadian coal deposits are developed so that every Canadian home and place of business can be guaranteed that the necessary fuel is always available when it is required for heating or industrial purposes."

BY MR. FRAWLEY - Do you mean by that literally what you say - "every Canadian home and place of business can be guaranteed that the necessary fuel is always available"?

A: Not necessarily always, Sir.

Q. That is what I wanted to clear up. I was wondering whether your proposal was that all Canadian fuel requirements should be satisfied with Canadian coal?

A. No, not entirely.

MR. SMITH continues brief

"The welfare of the citizens of any country should be the first consideration of its Government. After many years of trying to coordinate the coal mining industry for the benefit of the people of Great Britain, the British Government of today is

moving towards nationalization of that great national asset. We would do well to learn our lesson from the experience and mistakes of others.

Under existing conditions it has not been possible to use Western Canada coal in Ontario in any great quantity or to make further development of the industry worthwhile. Several factors, we believe, enter into this.

1. All rail coal shipped from United States enters Canada in foreign cars and it has not been necessary for our Canadian railways to supply coal transporting equipment. In other words, the railway companies secure freight charges from border points to destination by supplying only locomotive tender and caboose, and collect all rental charges on foreign rolling stock from ultimate consumers.

2. For water borne coal coming into Canada from United States no loading and unloading equipment has been necessary or supplied by the Canadian Railways either at the loading point or point of destination. We therefore feel that our railway companies have been prejudiced in the matter of handling Western Canada coal for Ontario and that their attitude has influenced to some extent the coal policy of the Railway Commission and the Government."

BY THE CHAIRMAN - I am not criticizing or saying that you are wrong, but I don't quite understand those conditions that you talk about. For example, how does it affect the coal transportation of this country by the fact that American cars are being used for all coal from United States into Canada? It would make it easier?

A. Quite so. We point out that railway companies have not been asked to invest capital to any extent in the coal carrying equipment.

BY MR. FRAWLEY - Do you mean they would favor handling American coal because they used American cars and got just as much for it?

A. Without the capital invested in the car.

Q. That is what I thought was the inference from what you said.

A. That is right.

BY COMMISSIONER McLAURIN - What is wrong with that? If they can provide the service and don't have to have the capital investment?

A. A little later on we point out where we ask the railways to make a further investment.

BY MR. FRAWLEY - Is there an inference here that the railways have established a preference that they would, rather than haul Canadian coal from the West or East in which case they would have to use their own rolling stock, that they would prefer to have the supply from an American source where they could do without the investment in the car.

BY COMMISSIONER McLAURIN - Do you think the Canadian Railways should have the steel gondola type of car to transport the coal from Western Canada to Ontario?

A. I don't understand.

Q. You speak about a lack of equipment?

A. No, but that the railways have not been obliged to supply that investment.

Q. You are speaking of the modern hopper car?

A. Yes.

Q. And you think they should have that equipment available for the movement of Western coal, east?

A. Yes.

Q. Of course you realize that most of the Western coal cannot be moved in that type of equipment, and must be moved in boxcars?

A. I think a little further on we show it can be moved.

Q. You can't move domestic coal in those cars; it has to be moved in boxcars because of the weather aspect.

BY MR. FRAWLEY - They have those boxcars. This coal moved from the West in boxcars. But if the railway companies had those cars and didn't have to tie them up in coal traffic, they would be free to use them in other traffic. I think that is what you meant?

A. We are suggesting that it be moved in hopper cars.

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F. W. Smith

BY COMMISSIONER McLAURIN - You cannot move Alberta domestic coal in hopper cars.

A. As far as Port Arthur?

BY COMMISSIONER MORRISON - There are certain coals that you can.

BY COMMISSIONER McLAURIN - Mercoal and Foothills.

BY THE CHAIRMAN - I think it is that they do not supply the proper kind of cars and the fact that there is no cover on that long distance of thousands of miles. Do you get what I mean?

BY COMMISSIONER MORRISON - He covers that further.

BY MR. FRAWLEY - He suggested that it be only moved to the head of the Lakes by car and then down the Lakes.

MR. SMITH continues brief.

"3. The existing freight rates were granted to the Western Canada Coal Producers Association by the Railway Companies and not by the Board of Railway Commissioners and therefore might be subject to change at any time."

BY MR. FRAWLEY - There are actually now established rates in tariff, so that they can be said to have the approval of the Board of Transport Commissioners.

A. There is no guarantee that that rate will be an established for any particular length of time.

MR. SMITH continues brief.

"The present freight rates on Western Canada coal to points of destination in old Ontario are subject to a subvention of \$2.50 per ton, while the subvention to points at the head of the Great Lakes is 30%."

BY COMMISSIONER MORRISON - 30% of what?

A. 30% of the rate.

MR. SMITH continues brief

"As these subventions are made by Order in Council and subject to change at any time it places the coal producers and distributors in a very uncertain position and a change of Government might nullify the existing rate at any time. We contend that a much more stable principle must be adopted by the Government or the Railway Commission before any satisfactory

market could be expected in Ontario.

We contend that a Lake and Rail freight to old Ontario could be established on Western coal that would in no way conflict with rates now in force from the mines to points as far east as Winnipeg.

We believe that the development and distribution of Canadian coal should be approached from the viewpoint of the welfare of the Canadian citizen. The development of the industry should be planned to create wealth for Eastern and Western Canada and much needed employment for the citizens, and provide the necessary fuel to the consuming public in Central Canada at a reasonable cost.

We believe this could be accomplished as far as Western coal is concerned by having the Board of Railway Commissioners provide a Lake and Rail freight rate that would allow Western Canada semi-anthracite and Western Canada anthracite coal (which we understand excels in quality Pennsylvania anthracite, but deposits of which are still undeveloped) to be delivered to Ontario retail cost outlets at a price not exceeding \$8.00 per ton."

BY THE CHAIRMAN - Did you hear Mr. Brown's thesis on this?

A. Most of it.

Q. I understand, and I may be wrong in my figures, that if they ever develop the prairies out there that they can get it in under present conditions at \$8.00 a ton.

Mr. Smith continues brief

We recommend that the Canadian Government build or have the Railway Companies supply the necessary unloading and loading equipment at Fort William or Port Arthur such as is owned and used by the United States Railways at Toledo, Erie, Ashtabula, or Buffalo to transfer coal from rail to boat.

We recommend that a wholesale distributing organization be asked to provide an installation at Owen Sound for the distribution of the coal by rail to all parts of Ontario.

We feel that the distribution of Western Canada Coal should be handled by a wholesale distributing organization which has a well developed sales organization and which by making a worthwhile investment in the development would assure a market for many thousands of tons of coal yearly, and it is our opinion that such an organization would be vitally interested, provided they were assured of a long term policy being instituted by the Government.

We suggest Owen Sound as the point of distribution for Ontario in view of the fact that we have the best harbor on the Upper Great Lakes, the first to open in the Spring and the last to close in Winter. (Navigation opened in Owen Sound this year on March 24). Owen Sound has the shortest and most direct connection with the head of the Lakes, and as Lake coal carriers would of necessity have to return light to the head of the lakes, the shortest time necessary to make deliveries would be desirable.

Within a radius of 100 miles of Owen Sound there is a population of 650,691, and within 150 miles, 2,505,986.

Owen Sound is served by both the C.N.R. and C.P.R. with interswitching facilities and these Railways serve directly the most thickly populated parts of Ontario.

We believe the handling of Western coal by the method we have suggested is entirely feasible and reasonable. We realize that there is, on account of the large moisture content in Western Canada semi-anthracite coal, a considerable wastage from air slacking, -"

BY COMMISSIONER McLAURIN - There is not much moisture in Western Canada semi-anthracite.

BY MR. FRAWLEY - Which is the coal you refer to as semi-anthracite?

A. I am sure that should be Drumheller.

Q. Sub-bituminous?

A. Yes.

BY THE CHAIRMAN - May we make that change?

A. I would be glad if you would.

BY MR. FRAWLEY - The average moisture content runs from 13.3 to 22.2 from the Dominion Fuel Laboratories analysis.

MR. SMITH continues brief

"but we are convinced that with the setting up of a proper Briquetting Plant at the point of distribution, this loss could be overcome and the slack made into good burnable domestic fuel.

Owen Sound has a desirable site available for such an enterprise which we know could be secured.

During the past year 101 Lake freighters have delivered 20,000,000 bushels of grain to this harbor, 3,250,000 gallons of gasoline and oil have been delivered by tankers and 40 thousand tons of coal by Lake coal carriers.

We therefore ask consideration by your Royal Commission of the suggestions set forth in the above.

Owen Sound, Ontario.
April 30, 1945."

BY THE CHAIRMAN - Is there any particular source of this twenty million bushels of grain? What is the source, Saskatchewan? Alberta? Manitoba?

A. Trans-shipped from Port Arthur by lake.

Q. And may come from any of the Western Provinces?

A. Yes.

BY MR. FRAWLEY - You have a figure there of \$8.00 per ton. I would like you to give us a breakdown of that \$8.00. I do not expect you to do it right now, of course, but tell us exactly why you think this coal can be delivered, retailed into Ontario at \$8.00 per ton. If you have not the figures now, would you do that?

A. Yes. I have not the figures now.

BY COMMISSIONER MORRISON - Before you do that Mr. Smith, you say "to be delivered to Ontario retail coal outlets". Is that \$8.00 to the consuming public?

BY MR. FRAWLEY - He says, delivered to retail outlets at \$8.00.

A. That is the retailers.

Q. To which would have to be added his spread?

A. Yes.

BY COMMISSIONER MORRISON - Delivery costs?

A. The spread to the retailer would be on top of that price.

We will say \$2.50 to the retailers, which would make it \$10.50.

BY MR. FRAWLEY - You will give us it, whatever it is?

A. Of course it has to be estimated.

Q. But the start price, the mined price, what you are figuring on there is what I am interested in.

A. Yes.

Q. You make mention of the British Government's policy of nationalization of the coal mines, and I am not quite clear as to what you mean by the next sentence: "We would do well to learn our lesson from the experience and mistakes of others".

Do you mean nationalization of the coal mines here?

A. If necessary, yes.

Q. What does that mean?

BY THE CHAIRMAN - If not getting good service from the operators, they look for better service some place else.

BY MR. FRAWLEY - Perhaps you mean as a last resort?

A. I say that the natural resources of the country, if not being used properly, then it is the duty of the Government.

BY COMMISSIONER McLAURIN - You are contemplating that we are nearing the point where we may have to do that?

A. It might be necessary.

Q. What criticism have you of the Western operators that allows you to even fling out the suggestion that we are approaching nationalization?

A. I have no criticism of the Western operators except the fact that we have coal deposits in Western Canada which have not been up-to-date developed as we think they should have been.

Q. That is not a reason for nationalization of coal mines?

A. If private interests do not develop them, then Government interests should.

Q. You are asking the Government to build this dock. You might just as well ask the Government to nationalize you in your business at Owen Sound because you have not done it.

A. I am suggesting that the Government ask the Railway Companies to build the dock and have the facilities for handling it.

Q. And your only suggestion for hinting at nationalization is that they have oodles of coal out there that have not been developed, and therefore propose nationalization as the solution?

A. We suggest that, yes.

BY MR. FRAWLEY - Is there much coal used in the Owen Sound area?

A. Prior to the war we had a good market.

Q. What would be the percentage served by Western coal?

A. Domestic?

Q. Yes, and then industrial.

A. That is, in the local market?

Q. What you would call the Owen Sound area?

A. I would say 15%.

Q. 15% of the domestic market is served by Western coal?

A. Yes.

Q. That moved all rail?

A. Approximately, yes.

Q. How did that get up into Owen Sound, through Toronto?

A. Yes.

Q. And it all carried the same subvention of \$2.50?

A. Yes.

Q. And it was all assisted coal to which you are referring?

A. \$2.50 subvention, yes.

Q. And 15% was Western, and the rest American?

A. Yes.

Q. Which moved by water, I suppose?

A. To a large extent. Our anthracite coal comes in all rail.

Q. Was the American domestic coal all anthracite?

A. No.

Q. But whatever it was, it came in you say all rail?

S.

-3157-

F. W. Smith

A. Yes.

Q. What would be the percentage of industrial?

A. Very small.

Q. Practically none?

A. Practically none.

Q. And you are submitting that that is not a proper state of affairs?

A. I am submitting that Western coal could be used industrially by the consuming public in place of, not in place of entirely but to a large extent in place of American anthracite and bituminous coal.

Q. Through the construction of a dock at Fort William to increase the handling facilities and a large dock and distributing centre at Owen Sound?

A. That is right.

BY THE CHAIRMAN - The \$2.50 must have put them in a competitive position there.

BY MR. FRAWLEY - Did it?

BY THE CHAIRMAN - I am inferring that.

A. The \$2.50 subvention made it possible for us to sell Alberta coal in competition.

BY MR. FRAWLEY - Then why did you handle only 15% of the market?

A. Because it is only in later years that we have been able to get a coal satisfactory to the consumer in Ontario.

Q. Western coal?

A. Yes.

Q. What was the coal that was satisfactory and enabled you to get any share of the market?

A. From the Drumheller.

Q. And with this kind of coal you think you could hold what portion of this domestic market? You could go from 15% to what figure?

A. 50%.

Q. You think you could go to 50% for Western coal?

A. That is right.

Q. With the facilities you are mentioning?

A. With prepared Western coal.

Q. Plus the facilities that you lay down here that would have to be installed?

A. Yes.

BY THE CHAIRMAN - But they are in a competitive position now without the facilities.

BY MR. FRAWLEY - The Chairman is right. If the Government is willing to carry that subvention, that puts it competitive with the American coal.

A. Yes.

Q. It is fully competitive. Then it is simply question of the quality of the coal?

BY THE CHAIRMAN - If it is competitive, it is competitive.

A.* But the point I have is that it could be handled at a cheaper laid-down cost than is now being done, whether it is competitive or not.

BY THE CHAIRMAN - On behalf of the public that is quite a proper position to take.

BY MR. FRAWLEY - Can you give me, approximate of course, what this Drumheller coal would sell for in your area?

A. Under this proposition?

Q. No, as it was pre-war?

A. \$13.00.

Q. And what does anthracite sell for in that same area?

A. \$16.50.

Q. And would your Owen Sound consumer prefer to have anthracite at \$16.50 than Drumheller at \$13.00?

A. If we get well prepared Alberta coal at \$13.00, I think we can build 50% of the market for the consumer with Drumheller coal.

Q. What is the Pocohontas coal, which I understand is quite a factor in this area?

A. It is a very small factor.

Q. It is either anthracite or Drumheller?

A. Yes.

Q. And with a preferential there of from \$13.00 to \$16.50, you think you could build up 50% of the market?

BY COMMISSIONER MORRISON - What is the rate from Port Arthur to Owen Sound per ton?

A. On coal?

A. Yes?

A. It has never been hauled by boat.

Q. There is no such thing as a rate for coal?

A. Not that I am aware of.

BY MR. FRAWLEY - And it would not move until these facilities are constructed?

A. There would have to be loading facilities.

BY COMMISSIONER MORRISON - We heard from Mr. Freed the other day, who operates a dock at Fort William. Is there no American coal shipped from Fort William to Owen Sound?

A. We get our coal from Toledo.

BY MR. FRAWLEY - Direct to your own dock?

A. Yes.

BY THE CHAIRMAN - Was there any quantity of Canadian coal used in your market before subventions came in, or we will say before 1934?

A. I can't answer that question, I was not in the business in those years. I doubt it very much.

BY THE CHAIRMAN - I would doubt it too.

BY COMMISSIONER MORRISON - The consuming public in Owen Sound, are they well satisfied with the Alberta coal that you have supplied?

A. Yes.

Q. And in these war years when you have been unable to supply that product, have you had demands for Alberta coal?

A. We have.

Q. And have not been able to supply the demand. In other words

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they are satisfied customers of the product?

A. Yes.

BY MR. FRAWLEY - What is the trend up there towards the installation of stokers?

A. In the last three years there has been a very decided trend to stokers. That is, a very decided increase in the use of stokers.

Q. Can you tell me then what would be the laid-down cost, retail, in your area for Elkhorn stoker coal?

A. Our selling price?

Q. Comparable to the \$13.00 and \$16.50, what would that stoker coal go in there for?

A. \$9.50.

Q. To the consumer?

A. Yes.

Q. Do you think that will militate against the sale of Drumheller coal at \$13.00?

A. I do.

Q. Would you not think, pretty definitely?

A. Yes. That is why I think we should be able to get the cost of Alberta coal down.

Q. Then you are not much concerned with this \$13.00 against the \$16.50 for anthracite, you want something to shout against the \$9.50 for Elkhorn stoker?

A. Yes.

Q. You say you will have to add \$2.50 to the \$8.00 for the retailers' spread?

A. Yes.

Q. That would make it \$10.50?

A. Yes.

BY THE CHAIRMAN - Then put in the cost of installing the stoker.

BY MR. FRAWLEY - Are the people up there putting in the stokers?

A. There are a number going in, because they want a cheaper fuel.

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Q. They want this \$9.50 Elkhorn?

A. Yes.

BY THE CHAIRMAN - Because they are not getting any Alberta coal?

A. Yes.

BY COMMISSIONER MORRISON - Have you figures to show, and if you have not them with you we would like you to supply us with the amount of coal used within the radius, first of 100 miles of Owen Sound, and then of 150 miles. You gave us the population of that area. Would you care to make an estimate of the amount of coal consumed in those areas, and divide it as between industrial and domestic?

A. I can't do that very well.

Q. I said to estimate it. Can you make a survey, and let us know if you can, and if you can let us know what market is available there?

A. I will find that out, Sir. It will take in the Cities.

Q. I don't know what that takes in, but if you would make an estimate of the tonnages used in those areas, and a breakdown between domestic and industrial.

BY COMMISSIONER McLAURIN - If there were the facilities you suggest at Fort William and Owen Sound, and assume for the moment that both docks are established, what would the dock charge be at the Fort William end, what would you estimate it, handling charge, how much per ton?

A. It should be comparable to the dock charges in Toledo.

Q. What would that be?

A. I think 9¢ a ton.

Q. I thought I heard a 50¢ ton figure somewhere?

A. I am speaking of the unloading from car to boat charge.

Q. Unloading from cars at Fort William and onto a boat?

A. Yes. The charge at Toledo I think is 9¢.

Q. You are making a recommendation that the Railways or Government go ahead with this, and your estimate of that particular charge would be 9¢?

A. Yes.

Q. You have not gone into it too fully. It might turn out to be a lot of headaches with the handling of different kinds of coal, it might run up to 50¢?

A. It is possible.

Q. And you have not really investigated it wholeheartedly, to give us what the figure would be?

A. Those are things which we think should be investigated and found out. We are not in a position to find out definite figures.

Q. I don't want to make any recommendation as a Commissioner unless I really analyze it and would know what my costs would be. What would you say that the charges would be at the Owen Sound end, something similar?

A. They would be higher than at Fort William, because that coal would have to be unloaded and put through a re-screening mill on account of the degredation.

Q. What might a possible water borne rate be? I am thinking of pit head prices of coal in Alberta and cost of taking it to Fort William.

A. The rate from Owen Sound to Fort William should be in the neighborhood of \$1.00 a ton. Our rate was 85¢ from Toledo, approximately the same distance.

Q. And you are contemplating these Drumheller coals coming down by that movement?

A. Right.

Q. And when does your movement stop?

A. The middle of December.

Q. So you would have to stockpile during the summer?

A. Yes.

Q. Have you included proper warehouses so that the coal would be free from weather influences?

A. No, I have not.

Q. You really have to do that. Drumheller coal that comes into the Ontario market today goes to the consumer's cellar out of a

boxcar. That was the pre-war movement.

A. Yes.

Q. You have to have the same sort of protection if you have a summer movement of that coal and have it stored for three or four months, and that will add to the cost, won't it?

A. Yes.

Q. And then this Briquetting. I don't think we could briquette Drumheller coal. I have never heard of any briquetting of any of the fines of Drumheller coal with the ordinary briquetting that is applied to bituminous fines.

A. We have Western coals being briquetted now.

Q. But that is bituminous coal and free from moisture and the fines readily admit of briquetting with an asphalt combine. But the only briquetting done of low grade moisture coals in Western Canada is at Estevan with a plant that cost a million dollars and then bought by an operator for a song. I am not criticising, as it was built in the interests of research, but it would not be economic to build another plant and hope to get a return on your investment.

A. Could not a market be built for the slack, the degradation that you get out of that coal, in the industrial market?

Q. Perhaps. But I am pointing out that you are suggesting something not feasible with Drumheller coal.

BY COMMISSIONER MORRISON - The research council in Alberta is doing some work on that now. There is nothing published yet.

BY COMMISSIONER McLAURIN - If there is some way in which there could be a water movement of these Western coals, it may offer a solution, but I see a lot of headaches, and you will have to grapple with a lot of things involved before you can expect the man to put his money up.

A. We are suggesting that something might be set up or done to really investigate it properly. It is purely a suggestion.

Q. "We contend that a much more stable principle must be adopted by the Government or the Railway Commission before any satisfactory market could be expected in Ontario." You are referring to

subventions.' What do you mean? What complaint have you at the moment about the present subvention?

A. I have no complaint with the present subvention that the Government is giving to Alberta movement, but I do say that if private interests could be asked to invest, Railway Companies or others, in a set-up such as this, they would have to be assured of a more stable policy.

Q. How are you going to get that in a Democratic country where Governments can change over night? How can you stabilize anything? The Government may say you can have it for ten years, and tomorrow another Government may come in, and that Government is out of power.

BY COMMISSIONER MORRISON - You could at least have it for five years.

BY COMMISSIONER McLAURIN - Not necessarily. It has been suggested before that subventions should be stable. I did entertain the idea myself, but I see difficulties. What do you mean by stabilization? What sort of formula have you to submit to the Government that will make it more stable than it is now? If we gave a report to Mr. Howe and we used the language you do, I would expect him to call me on the phone and say "McLaurin, what do you mean. I am asking you, Mr. Smith, what do you mean?"

BY THE CHAIRMAN - I think it is the tenure, is it not? That is the best you can ask for, that there be a longer tenure than from year to year.

BY COMMISSIONER McLAURIN - That does not help you. If you enact a Statute, there is nothing to prevent the succeeding Government from repealing it.

BY THE CHAIRMAN - If there is some Government that gives the assurance that they will have it for five years, and to the consumer of coal that they will have that outlook to look for, I don't think that any Government that we have had in this country so far would undertake to repeal it.

BY COMMISSIONER McLAURIN - I suppose it might have a psychological value. But I suppose you are complaining about these other

subsidies that vary from time to time. The \$2.50 subvention has been in force since 1932.

A. I say up to now that although it has been \$2.50 for the last 12 or 15 years, there is no assurance that it will be that next week.

BY THE CHAIRMAN - That is right, and that is the way it should be.

It should be that so far as the assistance is concerned, it should be variable at any time at all. Because, why should the Government of this country give subsidies to railways and assistance to operators if their costs are going down and they can get into a more competitive situation. For instance if it is costing Alberta or Nova Scotia coal today \$6.00 or \$8.00 to be mined, and the Government see in 6 or 8 months time that they can produce that coal for \$2.00 or \$4.00 or \$6.00; why should not the Government be in a position to cut down subventions?

A. I quite agree with that, Sir. I am not trying to point out that the Government should institute \$2.50 as a fixed subvention, but I do say it could be worked on a spread basis, or a spread of a definite amount.

BY COMMISSIONER McLAURIN - If you start monkeying with that \$2.50 rate you will render it more unstable than it is. I am speaking merely of Drumheller domestic which has always required \$2.50, and as far as people can see in the future will at least require \$2.50, but it is the only subvention price that has been stable. All bituminous and industrial coal arriving from Western Canada into Ontario has been subject to a fluctuating rate and necessarily must to make it competitive, and not to give industries or railways an unnecessary bonus.

BY THE CHAIRMAN - Thank you Mr. Smith, your brief has been very interesting.

BY MR. FRAWLEY - The Owen Sound Board of Trade is one of the very few Boards of Trade that have brought in a brief here; I think just Thorold and Owen Sound.

Exhibit 180 - Brief of James Murphy Coal
Company, Fort William, Ont.

FRANK C. MURPHY: Mr. Chairman and members of the Royal Commission on Coal, I have pleasure in presenting the brief of the James Murphy Coal Company of Fort William, Ont. (Proceeds to read Exhibit 180):

HISTORICAL RESUME

This business was started in the year 1903 by the late James Murphy as an importer, wholesale and retailer of United States bituminous and anthracite coals. The late James Murphy started in business at the present site of the Murphy Coal Dock located on the Kaministiquia River.

The business was carried on this way until the year April 1, 1927. At that time the late James Murphy leased the Mead Coal Dock from the C.P.R. for a period of twenty years, and he also appointed a Winnipeg representative to sell coal wholesale in Winnipeg.

Mr. James Murphy died in 1928. Since that time the business has been carried on by the late E. G. Murphy and the late J. P. Murphy, assisted by F. C. Murphy, who were Mr. James Murphy's sons.

Since the year 1939 after the death of J. P. Murphy his brother F. C. Murphy has been carrying on the business.

During this whole period this company has operated both mentioned docks along with keeping Winnipeg representatives and in addition putting some stock of coal on both other docks, C.P.R. and Fort William Coal Dock.

In the year 1941 capital employed was	\$188,000.00
1942	224,000.00
1943	229,000.00
1944	184,000.00

BY COMMISSIONER MORRISON: What do you mean by that, "capital employed"?

MR. MURPHY: Well, that is the money that is invested in the coal business.

BY COMMISSIONER MORRISON: Is that your turn-over or

fixed assets?

MR. MURPHY: Fixed assets. It is the fixed and the current assets of the coal company. (Continues brief):

The business is not incorporated and the business is carried by borrowing large sums of money from our bankers.

COMMISSIONER MORRISON: Credit must be pretty good when the bankers give you large sums of money.

BY MR. FRAWLEY: He tells you how good it is in the next paragraph.

MR. MURPHY continues brief:

The coal loan fluctuates as enough coal is brought in during the navigation season to last all winter.

The average coal loans during the past 4 years have been around \$500,000.00.

Coal is shipped as far east as Chapleau and as far west as Winnipeg, and as far north as Churchill.

It has been our aim since the commencement of the business to secure the best possible coals from the United States coal fields and Canadian coal fields in order that our customers in the above named markets would secure the best coal available.

FUELS HANDLED

The James Murphy Coal Company handles the following fuels which are Anthracite from Pennsylvania field, Bituminous from District 2, Western Pennsylvania, District 3, Northern West Virginia, and District 8, West Virginia, Pocahontas, District 7, Western Virginia, Solvay Coke imported from Semet Solvay Company, Detroit, Petroleum Coke from Chicago, Skibo coal from District 9, Western Kentucky, some Western Canadian coal from Drumheller field, Alberta, and dry wood purchased from district farmers.

The prices are as follows:

Anthracite Egg, Stove & Nut

	Year 1944	Year 1945
Cost at Mine	\$7.85	We have not received any Anthracite this year
Rail Freight and Dumping	2.67	
Exchange	1.16	
Duty	.50	
Lake Freight	.45	
Unloading Charge	.15	
Laid down cost at Fort William	<u>12.78</u>	

Elkhorn Egg

Cost at Mine	\$3.35	\$3.75
Rail Freight	2.00	2.00
Service charge	.08	.08
War Exchange Tax	.37	--
Exchange	.60	.64
Duty	.75	.75
Lake Freight	.45	.50
Unloading Charge	.15	.15
Laid down cost at Fort William	<u>\$7.75</u>	<u>\$7.87</u>

Elkhorn Stoker

Cost at Mine	\$3.85	\$4.25
Rail Freight	2.00	2.00
Service charge	.08	.08
War Exchange Tax	.43	--
Exchange	.65	.70
Duty	.75	.75
Lake Freight	.45	.50
Unloading charge	.15	.15
Laid down cost at Fort William	<u>\$8.77</u>	<u>\$8.96</u>

Pocahontas Egg & Stove

Cost at Mine	\$4.05	\$4.63
Rail Freight	2.15	2.15
Service charge	.08	.08
War Exchange Tax	.45	--
Exchange	.69	.75
Duty	.75	.75
Lake Freight	.45	.45
Unloading charge	.15	.15
Laid down cost at Fort William	<u>\$8.77</u>	<u>\$8.96</u>

Pocahontas Nut

	Year 1944	Year 1945
Cost at Mine	\$3.65	\$4.13
Rail Freight	2.15	2.15
Service charge	.08	.08
War Exchange Tax	.41	--
Exchange	.65	.69
Duty	.75	.75
Lake Freight	.45	.45
Unloading charge	.15	.15
Laid down cost at Fort William	<u>\$8.29</u>	<u>\$8.40</u>

Coke

Cost at Mine, Detroit	\$8.09	No coke
Exchange	.89	received
Lake Freight	1.00	during 1945
Unloading charge	.25	
Laid down cost at Fort William	<u>\$10.23</u>	

Birnwell Egg, Canadian Coal

Cost at Mine	\$4.15
Freight Rate to Fort William	6.30
	<u>10.45</u>
Subsidy is 30% of Freight Rate	<u>1.89</u>
Laid down cost at Fort William	8.56

BY COMMISSIONER McLAURIN: I would just like to ask about these prices. Any one of them is a good sample: the very first one, Anthracite Egg, Stove & Nut, laid down cost at Fort William \$12.78. To the ultimate domestic consumer there would have to be added the dealer's spread?

MR. MURPHY: Yes sir.

BY MR. FRAWLEY: What is this service charge of 8 cents, the third item on Elkhorn Egg?

MR. MURPHY: That is a charge that the American companies make to us when they load the coal for us. They add it on to their invoice.

BY MR. FRAWLEY: It is a service performed by whom?

MR. MURPHY: The ones we buy the coal from.

BY MR. RAND MATHESON: It is a brokerage fee?

A Yes.

BY MR. FRAWLEY: The persons you buy it from are the producers?

A They are producers, but some coals they sell they are just sales agents.

Q When you deal with them it is 8 cents more?

A Yes sir.

Q Then the same thing in the Elkhorn stoker. Apparently all your Elkhorn egg and stoker coal you buy through a broker, because you pay 8 cents?

A Yes. It has only been the last two or three years they have been charging that.

Q The same is true of the Pocahontas egg & stove and nut. By the way, this coal now comes under the provisions of the Stabilization Board and there is some subsidy, as it is called, on all this American coal?

A Yes. We are under the price ceilings and get a subsidy from the Government.

BY MR. FRAWLEY: The Commissioners will notice on page 4 that Mr. Murphy is selling some Birnwell coal.

MR. MURPHY: Do you want me to state the tonnage sold and the analysis?

BY MR. FRAWLEY: No. It will be put in the record, Mr. Murphy.

The tonnage sold for the year 1944

Anthracite	10,000	tons
Bituminous	102,000	"
Pocahontas	80,000	"
Coke	4,800	"
Western	958	"
Wood	557	
Total Sales	198,315	
Domestic	73,315	
Industrial	125,000	

The analyses of these coals are as follows:

	Pocahontas Egg	Elkhorn Stoker	Skibo Stoker	Champion Lump
Moisture	1.40	2.0	.75	2.6
Volatile	15.22	38.2	38.24	38.5
Fixed Carbon	76.99	56.0	46.07	53.3
Ash	6.39	3.8	6.94	5.6
Sulphur	.52	.9	2.85	1.6
B. T. U.'s	14,526	14,100	12,181	13,825
Fusion Temperature	2290°F.	2808°F.	2203°F.	2500°F.

	Anthracite	Solvay Coke	Western Albuna Egg
Moisture	1.5	5.22	18
Volatile	2.3	.92	31
Fixed Carbon	87.2	83.9	45
Ash	9.0	9.96	6
Sulphur	.7	.81	
B. T. U.'s	13,550	12,173	10,000
Fusion Temperature	2900°F.	2596°F.	

We have competition from other importers of American coal in the wholesale business. The competition in retail business is quite large there being about 30 other companies in this business in this locality. We might mention that in Winnipeg we are just in the wholesale business.

DISTRIBUTION

Nearly all our shipments are by box cars with some orders specifying open cars to all points east and west of Fort William. This is a profitable movement for both railroads as there is always a surplus of box cars in Fort William due to bringing grain here. This enables the railroads to avoid long hauls west with empty box cars to load more grain. The coal to our retail consumers is delivered by our own and hired trucks direct to the customers bin. Most of the coal is delivered in bulk and only delivered in sacks when asked for by the customer.

BY MR. FRAWLEY: If the Commissioners will look at what immediately follows for seven or eight lines you will see that Mr. Murphy is very frank, put down some of his own confidential information, and I am inclined to think that if he had asked that this not be read publicly that probably his request would have been granted. Would you prefer to have that go before the Commissioners for their own information?

BY THE CHAIRMAN: You couldn't leave it out of the record?

BY MR. FRAWLEY: Oh no.

MR. MURPHY: I don't mind reading it. (Continues brief):

Our retail business in the year 1944 amounted to 36,700 tons. The wholesale business amounted to 161,615 tons in 1944.

Cost & Comparisons for Years 1943, 1944, 1945

	Year Ended April 1943	1944	1945
Sales	\$1,620,000 (184,000 tons)	\$1,802,000 (198,315 tons)	\$1,290,000 (138,000 tons)
Less Cost of Coal Sold	1,370,000	1,559,000	1,092,000
Gross Profit	250,000	243,000	198,000
Less Expenses	204,000	225,000	204,000
Net Profit for Period	46,000	18,000	6,000 Loss

The drop in profit for the year 1944 was largely due to our having large demurrage charges to steamship companies. Altogether these charges amounted to around \$23,000.00. The drop in profit in 1945 is largely due to our drop in sales from 198,315 tons in 1944 to 138,000 tons in 1945. We were not able to reduce our expenses enough to cover our drop in sales.

BY COMMISSIONER MORRISON: 1945 is not over yet, or does your fiscal year end ---? .

MR. MURPHY: Our fiscal year ends the end of April-- April 30, 1945. (Continues brief):

PROSPECTS

There is one other large importer of United States coal in this market. The retail coal dealers in Fort William and Port Arthur depend largely for their supplies on the two large importers of United States coal. The Winnipeg dealers secure a large portion of their coal from the Souris field in Saskatchewan, the Drumheller field in Alberta and some United States coal from the two large importers at Fort William. The people in Fort William and Port Arthur like the United States coal and seem to favor it over the Western Canadian coal due to its higher heat value.

BY THE CHAIRMAN: Have they ever tried the coal from Souris that you mention has been used in Winnipeg? Has that a market down in your part?

A In the stoker size or ---?

Q Well, any size?

A We are bringing some down this year.

Q But the people there have never had an opportunity of comparing it, I mean individually, with the American coal?

A Not the Souris grade, but they have with the Drumheller.

MR. MURPHY continues brief:

There were a few oil installations before the war but most of them have installed coal stokers. They did this because the cost of oil was raised and it was also hard to secure.

There is also a large demand for anthracite in Fort William and Port Arthur, the market far exceeding the quantity we have been able to receive during the last few years.

There have been a large number of stokers installed in Fort William, Port Arthur and Winnipeg during the last few years. We bring in the highest quality stoker coal to supply these stoker owners.

BY THE CHAIRMAN: All United States coal?

MR. MURPHY: Yes sir. (Continues brief):

Our customers who do not have stokers prefer the following coals, Pocahontas Egg, Stove and Nut, Solvay Coke, Petroleum Coke, Anthracite Egg, Stove and Nut.

MR. FRAWLEY: In that order of preference? That is what you mean by that, do you?

BY THE CHAIRMAN: No, I wouldn't think, from what he says above. I would think the anthracite would be the first, wouldn't it?

MR. MURPHY: Except that people that have the small heaters prefer anthracite. (Continues brief):

SUMMARY

Owing to the small quantity of Western coal handled which was 1400 tons in 1943 and 958 tons in 1944 we have not experienced any great trouble in getting same.

We believe the government has made a wise move in removing the War Exchange Tax on coal commencing with June 1, 1945.

We also believe an effort should be made to stabilize the Canadian dollar at par with the American dollar.

We suggest that the government remove the duty on American coal coming into Canada.

BY THE CHAIRMAN: What's that?

MR. MURPHY: We suggest that the government remove the duty on American coal coming into Canada.

BY THE CHAIRMAN: I was just trying to see if you would say it the second time.

MR. MURPHY continues brief:

Now that all countries are supposed to work together and have free trade we suggest Canadian coal be allowed to go to the United States without duty.

BY COMMISSIONER MORRISON: At that point, I know that this brief is presented on behalf of the James Murphy Coal Company, but are you conversant with the viewpoint of the people around the head of the lakes, Port Arthur and Fort William, on that subject? When you say have free trade you mean just what you say, do you?

MR. MURPHY: Yes sir.

BY COMMISSIONER MORRISON: You think that Judge McLaurin-- You were in the court house the other day when we had this subject up?

MR. MURPHY: No, I just came in.

BY COMMISSIONER MORRISON: I thought you had the advantage of hearing Judge McLaurin and another gentleman from the head of the lakes. He suggested he could go down to Spokane and buy his automobile in Spokane or Great Falls. You believe that is how it should be?

BY THE CHAIRMAN: He believes in free trade.

BY COMMISSIONER MORRISON: I have no quarrel with him at all.

BY THE CHAIRMAN: Do you come to Toronto very often?

MR. MURPHY: Two or three times a year.

BY THE CHAIRMAN: You had better come less often after this.

BY COMMISSIONER MORRISON: I am reminding you that this may not be a safe place to talk free trade. Come out to Calgary and make a speech on free trade and I will guarantee you will get a pretty good house.

BY MR. FRAWLEY: Mr. Murphy, I think the fact is that there is no duty now on Canadian coal going into the United States. It all goes in free.

MR. MURPHY: Oh, it does? I didn't know that.

BY COMMISSIONER MORRISON: What little goes in.

MR. MURPHY continues brief:

By doing this the Western Canada coal would be sold to a large extent in the states of Washington, Oregon, Montana and Idaho.

BY COMMISSIONER McLAURIN: Oh dear! Talk about something you know. Keep away from that subject. I am afraid you don't know much about it or you wouldn't say that.

MR. MURPHY continues brief:

The United States coal would be sold to a large extent in Fort William, Port Arthur and Winnipeg.

This would have the effect of reducing subsidy payments by the government and maintaining the ceiling price.

RECOMMENDATIONS

At the present time if a dealer on the C.N.R wants a car of coal from a CPR dock he has to pay a double switch of 80 cents a ton instead of the regular rate of 40 cents a ton. We suggest the removal of the double switch of 40 cents per ton which creates a hardship on industries and dealers not served by both railways.

Whatever policy is set the coal docks at Fort William should be in a position to bring in United States coal and operate at a profit as this enables the vessels coming to Fort William and Port Arthur to bring coal here and then take grain

or ore back to the United States and Canadian Eastern points. Otherwise these boats would have to come to Fort William light to take grain and ore back to eastern points.

EXAMINED by Mr. Frawley.

Q Mr. Murphy, in the retail business in your area there is a lot of competition?

A Yes sir.

Q There are 30 other people besides yourselves retailing?

A Yes sir.

Q Now how many are there importing?

A Just one other company and ourselves.

Q What is that company?

A Empire Hanna Coal.

Q And how many wholesaling?

A Just the Empire Hanna and ourselves.

Q So the importing and wholesale business is confined to yourself and one competitor, and you have 30 in the retail business?

A Yes sir.

Q Is the competition healthy in the retail business?

A I would say it was.

Q You say that there is a lot of competition?

A Yes sir.

BY COMMISSIONER McLMURIN: Is the competition healthy or wolfish?

A I would say it was healthy.

BY MR. FRAWLEY: How about the wholesale business? Do you and

Empire Hanna maintain the same prices?

A No, our prices are not the same.

Q Do you sell the same coals?

A The same grade of coal, but different mines.

Q You don't sell any of the same coal that Empire Hanna do?

A In the Pocahontas we do.

Q And your price is the same?

A I don't think our price is exactly the same.

Q What is the competition then? Is it price competition or is it just an agreed price, no competition at all?

A Oh no, there is competition.

Q Between yourself and Empire Hanna?

A Yes.

Q What does it consist of?

A Well, we bid on coal contracts that come up and they do too. Sometimes we get them and sometimes they get them; like on paper mills and things like that.

Q That is on a price basis?

A Yes sir.

Q That is always on a price basis? One company can give the same service as the other?

A Yes sir.

Q What enables you to vary that price basis? Have you not got the same price on the dock?

A They bring their coal to a fast dock; we have a slower dock. The coal companies charge us 5 cents more.

Q Your longer unloading time militates against you and Empire Hanna hasn't got that to contend with and that puts them in a better position than you are?

A Yes sir.

Q What is the competition in the retail business? Is it a price competition or service?

A It used to be price competition but now that the prices are all fixed it is more service.

Q But pre-war there was price competition?

A Yes sir.

Q And the consumer got the benefit of that?

A Yes sir.

Q You didn't have any fixed price arrangement up there?

A We all sold at the same retail price up there. We had a fixed retail price.

Q Some of you, I suppose, had better delivery facilities than others?

A Yes.

Q That is how you were able to get the edge on them?

A Yes sir. There are a couple of points I forgot to mention in my brief. May I read them now?

MR. FRAWLEY: Yes, go ahead.

MR. MURPHY continues:

One point is, very full consideration should be given to the matter of present gross margins as existing in the retailer dealer field, as under the establishment of price ceilings on domestic fuel the retail dealer trade has been faced with many increased costs in respect to labor delivery which he has had to absorb, resulting in drastic decrease in net profits, and it is only right that this latter should prove sufficient to enable the dealer to meet his obligations promptly as well as enabling him to keep his business on a sound basis.

My last point is, we are the only completely owned Canadian firm operating at the Lakehead in the wholesale coal trade, our competitors being subsidiary companies of United States coal producers or operators.

BY MR. FRAWLEY: No American coal producer has any interest in your business?

A No.

Q Do you think that you have too many people in the retail business there?

A In Fort William?

Q In this area that you say you have 30.

A I don't think there is under war conditions, but under peace conditions there probably is.

Q It seems remarkable that you would have two people bringing it in and wholesaling it and 30 people retailing it.

A Yes sir.

Q Have you any ideas to suggest to the Commission dealing now with the general economics of the distribution of coal? Have you got any views to submit?

A Well, a person should have so much capital before they start in. If a by-law was passed that you had to have a yard ---

Q In these 30 people, some of them have no yard facilities?

A No, they just have trucks. Anybody with a truck can get a licence.

Q Does it not make for the benefit of the ultimate consumer?

BY THE CHAIRMAN: If the prices are fixed, as he says they are, even in peacetime I understand?

BY MR. FRAWLEY: They were fixed before? These truckers were not able to undersell you who had investments in handling facilities?

A Sometimes they would though in peacetime.

Q Then the fellow with the truck got in under the umbrella, as they say in the oil business?

BY COMMISSIONER MORRISON: I guess you referred to him as a snow-bird, did you, the fellow that came in the winter and left in the spring?

A Yes sir.

BY MR. FRAWLEY: Mr. Matheson suggests that I ask whether you have ever taken up this complaint you have about the double switch charge with the railway companies?

A No, I have not.

Q Well, wouldn't that be the immediate place to take it up? You don't know what their attitude would be towards giving any relief against that?

A We thought if the Royal Coal Commission brought it up that you would get a better hearing than we would.

BY COMMISSIONER MORRISON: You never knew of the railway companies being very anxious to give up any rates they now enjoy?

A No.

Q So you were a little shy in going to them asking for a rebate on this 40 cent rate?

A Yes sir.

BY MR. FRAWLEY: The Murphy Coal Company has trackage on both lines?

A No, just the C.P.R.

Q Then it is Freed on the C.N. and Murphy on the C.P.? How about Empire Hanna?

A They just put their coal on Mr. Freed's dock or the C.P. docks.

BY COMMISSIONER McLAURIN: Empire Hanna hasn't got a dock.

BY COMMISSIONER MORRISON: Empire Hanna bring coal in over your dock?

A No. The C.P. have a fast dock, and Fort William Coal Dock. They put part of their supplies on each dock.

Q How does your service charge for the use of the dock compare with Mr. Freed's? Do you know what his rates are?

A For loading and unloading?

Q Yes?

A We have about the same rate.

Q What do you mean "about the same rate"?

A It is the same rate; 50 cents a ton.

Q Some you get 60 for?

A For out-of-town shipments.

Q What about anthracite coal? That is what you get the 50 cents for?

A We get the same for anthracite and bituminous.

Q Mr. Freed didn't tell us that he got the same for anthracite and bituminous. You have no spread?

A No.

Q So when you tell us that your rates are exactly the same as Mr. Freed's that is hardly correct?

A No, I don't know what he charges for anthracite.

Q Well, if you don't know what he charges how could you testify that his rates were the same as yours?

A I thought you were talking about bituminous coal.

BY MR. FRAWLEY: Mr. Freed said his charges were: Bituminous coal, 50 cents per ton for local movement to terminals in Port Arthur and Fort William; 40 cents per ton for railway line movement outside terminals. Anthracite coal, 60 cents per ton for local movement; 50 cents per ton for line movement. How does yours compare with that?

A The bituminous is the same. The anthracite, ours is 50 cents. I am not sure about that, I guess; I wouldn't like to say.

BY MR. FRAWLEY: Mr. Murphy will also read the brief of the Lakehead Fuel Dealers' Association.

Exhibit 181 - Brief presented by Lakehead Fuel
Dealers' Association

MR. MURPHY proceeds to read Exhibit 181:

(1) The brief is being presented by the Lakehead Fuel Dealers' Association of Fort William and Port Arthur, Ontario, on behalf of the retail dealers of those two cities.

The Lakehead Fuel Dealers' Association is an Association of retail dealers and was established in the year 1934 and has been in existence since that time. Its membership is composed of retail dealers who handle practically 100% of the coal and coke which is delivered by team and truck to domestic and industrial consumers in the district of Thunder Bay. This Association is a non-profit organization, its expenses being paid by subscriptions by its members.

Its objectives are as follows:

To encourage and foster the Ideal of Service as the basis of the fuel trade.

To encourage high ethical standards in the fuel trade.

To comply with the by-laws of the Councils of the cities of Fort William and Port Arthur, for regulating the fuel trade.

To promote and maintain fair and honorable dealings with the public and fair trade practices within the fuel trade.

To co-operate and work with Government agencies in carrying out wartime regulations and assist in the fair and equitable delivery of available fuels.

(2) The dealers in this Lakehead area handle approximately 150,000 tons of coal and coke annually. Of this it is estimated 15,000 tons to be Western Canadian coals, the balance being made up of imported American fuels. Of American fuels, the largest selling and most popular household fuel is Pocahontas coal; Anthracite, Coke, Bituminous and Stoker making up the balance. Prior to war years the sale of Western Canadian coal was practically nil in this area, but because of short supplies of American fuel the sale of Western Canadian coal has gradually increased to the approximate above mentioned figure.

Because of our geographical location, and due to the extremely long haul from the mines by rail, American fuels come to this market by boat over the Great Lakes during the navigation season. This is undoubtedly the most economical method of transportation in preference to the long rail haul. Then there is the uncertainty of shipping dates and delays in transit by rail, such as train wrecks, snowstorms, floods, etc., that water transportation has become the established method of moving American fuels to the Lakehead docks.

BY COMMISSIONER MORRISON: At that point, Mr. Murphy, you say something here about storms, snowstorms. When these snowstorms are on you don't get any movement of coal from the United States, do you, over the Lakes? Navigation is closed, isn't it, in the winter months?

A Yes, we get coal only up to about December.

Q And what period do you start in the spring?

A Usually about the middle of April.

Q Well now, talking about comparable things, for that period of time you are complaining about snowstorms and comparing it with the wonderful service you get by the Lakes, you don't have much trouble with snowstorms with coal coming in by rail?

A No.

BY MR. FRAWLEY: But you put your coal on the dock. You are not troubled with snowstorms on your dock because it is all in there?

A Yes. I think what the coal dealers meant was that if there was not a sufficient supply of American coal on the docks for the winter months and they had to depend on Western Canadian coal they might get a severe snowstorm and they would not get the coal, so they think there should always be a supply of American coal on the docks for emergencies.

BY COMMISSIONER McLAURIN: You are going to get yourself into a meteorological situation here pretty soon.

MR. MURPHY continues brief:

The average navigation season is eight months, therefore it is essential that sufficient stocks of coal are kept on the local docks so that supplies to dealers will be continuous and uninterrupted during the winter months when local ports are ice-bound. If at any time dealers in this area became reliant on rail shipments direct from mines their yard operations might be seriously affected resulting in serious delays in deliveries to householders.

BY THE CHAIRMAN: Just before going on there, do I understand that you represent those dealers and those are the dealers that look after entirely the consumers of that area?

A Yes sir, I am president of the Association.

Q You say that they handle approximately 150,000 tons of coal?

A Yes sir.

Q That is only the coal that is used in that area, because I notice that your own company handled in 1945 or 1944 198,000 tons. The balance of that is sent out, I suppose, to other areas?

A Yes, the balance goes up to Winnipeg.

MR. MURPHY continues brief:

For your information the following list is a break-down of the dealers cost, freight, gross profit and retail prices for domestic deliveries in these two cities.

AMERICAN FUELS

Kind & Size	Cost on Cars	Freight Switch	Subsidy Expected	Gross Profit	Retail Price
<u>Pocahontas</u>					
Nut	\$10.04	.40	\$1.04	\$3.10	\$12.50
Stove & Egg	12.71	.40	1.26	2.90	14.75
<u>Soft Bituminous</u>					
Lump	8.90	.40	1.20	2.65	10.75
Dock-Run	8.30	.40	1.20	2.50	10.00
<u>Elkhorn</u>					
Stoker (80/20)	9.15	.40	1.10	2.55	11.00
<u>Solvay Coke</u>					
Pea	11.65	.40	Nil	2.45	14.50
Stove-Nut	12.65	.40	"	2.45	15.50
<u>Anthracite</u>					
Nut	13.74	.40	Nil	2.66	16.80
Stove	13.74	.40	"	2.66	16.80
<u>Petroleum Coke</u>					
Screened	13.25	.40	Nil	2.60	16.25
Dock-Run	10.75	.40	"	2.60	13.75

WESTERN CANADIAN COAL

Kind & Size	Cost on Cars	Freight Rate	Freight Sub- vention	Subsidy Expected	Gross Profit	Retail Price
<u>Drumheller</u>						
(Monarch Nut)	\$2.50	6.50	1.95	Nil	3.45	10.50
(Birnwell Egg)	4.15	6.30	1.89	"	3.45	12.00
<u>Saskatchewan Lignite</u>						
(All sizes)	1.60	4.30	1.00	Nil	2.60	7.50

P.S. These figures do not include any unloading costs at dealers' yards

It will be noted from a study of these figures that the average gross profit on retail sales of American fuels is \$2.63 per ton, and the average gross profit on sales of Western Canada coals is \$3.16 per ton.

BY MR. FRAWLEY: Why do you need that much more selling Western

Canadian coal, or not why you need it, why do you get it?

A Well, the reason for that is the prices are fixed now by the

Government, but some of our costs have gone up. The spread used to be about \$3 on American coal but it has gone down to \$2.63 due to our increased costs. That is what I mentioned before; the dealer should have a larger spread.

Q What was it before the ceiling went on?

A It was \$3.00.

Q On each brand of coal?

A Yes.

Q And this is a wartime thing?

A Yes.

BY COMMISSIONER McLAURIN: The spread is still \$3.00, but the profit --

BY MR. FRAWLEY: I was afraid you were trying to make it hard to sell Alberta coal.

MR. MURPHY continues brief:

(3) American fuels are transported to the Lakehead docks by boat, then loaded off the docks into freight cars and switched to team tracks and dealers' yards. Deliveries from that point are made by team or truck to consumer's bins.

In the last six years delivery and handling costs have increased considerably from a retailer's point of view, some of the reasons for the increased costs are as follows:

Increased rates of pay to yard workers and truck drivers. These rates are up generally about 30%.

Because of inability to purchase new equipment, cost of maintenance and repairs to old trucks and equipment have been excessive.

Due to short supplies of certain fuels and subsequent rationing, mixing of different kinds and grades of fuel being delivered concurrently on some orders have created additional handling costs.

Increased office staffs to handle additional routine work.

(4) This market is fully competitive.

The demand for stoker coal is steadily increasing due to the many new installations of stokers. Practically all stoker installations in this area are of the type suitable for burning American bituminous Elkhorn stoker coal, commonly known as (80-20) size. In hand fired furnaces the most popular of all

household coal is Pocahontas and it is the largest seller in the area.

Degradation on Western Canadian coal, for domestic purposes, is heavy particularly from a storage viewpoint, and for this reason is not popular with the dealers, as a result dealer purchases are only made as required and for quick sale. Oil-burning furnaces are not popular in this area and the number of installations is very small.

BY THE CHAIRMAN: Are they small because they are not popular?

MR. MURPHY: Well, I think the oil is too expensive there.
(Continues brief):

There is no gas or central heating used throughout the area.

In regards to the competitive features of the retail market, there does exist a situation here in connection with the switching of cars off local docks to dealers' yards as follows:

"One of the local docks serving the retail dealers is situated on C.N.R. trackage and the other on C.P.R. trackage. Because all sizes and grades of coal are not always available on both docks at the same time it is often necessary for a dealer, with his yard on C.P.R. trackage, to take a car of coal off the dock situated on the C.N.R. track, or vice versa. As each railway charges 40 cents a ton switching, a cross-switch as outlined above would cost the dealer an extra 40 cents a ton. This would put him in an unfair position with respect to a competitive dealer who may have his yard on the C.N.R."

This has been a point of contention for some time in the area and is respectfully brought out at this time.

BY THE CHAIRMAN: Is that the same ---?

MR. MURPHY: That is the same point I brought up in my brief. (Continues brief):

(5) The feeling seems to be prevalent in the trade that subsidies and other outside government aids should be withdrawn as soon as the necessities of war make it possible, and that each type of coal should be made to find its own natural value under normal competitive conditions.

Many in the trade are of the opinion that stabilization of U.S.... and Canadian currency would assist greatly in creating a truer value for American fuels. The present rate of exchange, if eliminated, and the reduction in price passed on to consumers; would assist the dealer in his efforts to give the consumer better value for his money.

RECOMMENDATIONS

Price ceiling increases be allowed to cover increased costs of doing business since basic period margins were established.

Removal of subsidies and other Government controls to allow free, competitive trade as soon as possible.

Local arrangements for discontinuance of double switch on cars shipped from C.P.R. dock to C.N.R. sidings, or vice versa (outlined in Section 4).

Stabilization of U.S.... and Canadian currency for reduced coal prices to consumers.

LAKEHEAD FUEL DEALERS' ASSOCIATION

F. C. Murphy, President

D. C. Gerrand, Secretary

EXAMINED By Mr. Frawley.

Q. Has there been any experimenting at all with central heating in the Lakehead area?

A. No sir.

Q. You know what they are doing in Winnipeg, of course?

A. Yes sir.

Q. There is no movement like that going on?

A. No sir.

BY THE CHAIRMAN: There is just one question. What is your real objection to subventions? Is it a national objection or purely a local objection that you have to them?

A. It is a national objection.

Q. Why?

A. Spending money trying to create--everything, I think, if it

is of value should find its own market without any subventions.

Q You talk about deflating the American dollar. Wouldn't that be a good way? The more trade we establish in this country and the greater our national income, the quicker the American dollar would be on a par with ours, or ours on a par with them?

A Yes sir.

Q Well then, the leaving of them there is more likely to create that condition than taking them off, because if they are taken off I suppose you realize that our Canadian coal industry is not going to be so good?

A I don't know enough about the Canadian coal industry to ---

Q That is just what I am getting at. You don't know whether subventions are good, first, for Canada or not but you still ask them to be removed. Is it not purely local so far as you are concerned?

A No sir.

Q Because it is easier for you to get American coal than it is to get Canadian coal?

A Well, before the war was there subventions on Canadian coal then too?

Q I don't want you to get mixed up with subsidies. I am talking about railway subventions to assist in transporting coal. Are you against those? Do you want those eliminated too?

A I don't think the Western Canadian coal industry should be disrupted. If the removal of them would disrupt the industry I would not be in favor of it.

Q I am not talking about disrupting the industry. What about Nova Scotia? You don't care whether they are disrupted or not, I suppose?

A I don't know enough about it to discuss it.

Exhibit 182 - Submission of the Pneumatic
Insulating Company Limited,
Toronto

MR. JACKSON: In view of the submission made by Mr. Bass

of the Thorold Board of Trade, which covered the ground very completely, with your permission I should like to withdraw this brief and associate myself with the submissions made by that gentleman.

BY MR. FRAWLEY: We can put it in but you don't need to read it.

MR. JACKSON: There was something I wanted to say and that is that it is apparent from the records of the Coal Board itself that this industry, namely the insulation industry, can effect a minimum saving of 20 per cent, and so far as the coal industry is concerned that saving should be, with respect, sir, mentioned in your report to the Federal authorities.

BY COMMISSIONER McLaurin: You shouldn't say too much about that here this morning. This place is filled with people who sell coal.

BY MR. FRAWLEY: When you say the Coal Board, let's be clear about this.

MR. JACKSON: The Dominion Fuel Board.

Exhibit 182 reads as follows:

Home insulation has been called the most important development in residential and commercial construction since the central heating plan replaced the stove. Because of this ability to increase stability in temperature and save substantially on fuel, it enjoys universal acceptance on the part of the public.

The Department of the Interior of the Dominion of Canada recognized the value of insulation in 1927 by authorizing publication of a report prepared by Mr. J. D. Mallory for the Dominion Fuel Board. This publication was distributed by the Dominion Fuel Board to direct public attention to the advantages and economies that can be effected through proper insulation in house construction. This article says in part:-

"People cannot afford any longer to waste heat. Not only must new houses be insulated to ensure economy and efficiency in the use of fuel - but the insulation of existing houses is equally important as a means of reducing the cost of living and

promoting more healthful and comfortable living conditions.

"The domestic coal stoves and furnaces in present use deliver to the house interior, at best, only 50 to 60 per cent of the heating value of the fuel. The economical use of this available heat is entirely a matter of reducing the heat leakage through walls and roof to a minimum."

REDUCTION OF FUEL COSTS

The pamphlet further states:

"If all the residential buildings of Canada were properly insulated against loss of heat an annual saving of at least \$30,000,000 would result. Assuming a fuel consumption of one ton of anthracite coal (or its equivalent in other fuels) per capita for domestic purposes, the annual Canadian requirements would be about 9,000,000 tons. With coal at \$16 a ton and an assumed fuel saving of twenty per cent to be effected by insulation, an annual reduction of \$30,000,000 in domestic fuel costs would thereby be assured.

On this basis of calculation, the cities of Montreal, Toronto, Hamilton and Ottawa could save nearly \$7,000,000 annually in fuel bills alone.

A survey covering a large number of individual cases indicates that for an average insulated house of six to eight rooms an annual saving of at least 3 tons of coal or its equivalent in other fuels may be expected, amounting to approximately \$50 per annum. This figure may safely be taken as a fair average one although numerous examples of much larger savings have been recorded.

SAVES LABOUR

In an insulated home the heat is retained so well that it is possible to reduce materially the usual period of furnace operation by the judicious use of fire-places, cookstoves, and auxiliary heaters during the chilly days of spring and autumn.

The labour and care necessary to operate successfully a heating plant are reduced to a minimum by the use of insulation

in the basement, walls, and roof of a house. By reason of the low heat loss, less fuel will be required, with a subsequent saving of labour in the handling of fuel and ashes. In addition, the heating plant will require considerably less attention because of the ease of maintaining a comfortable temperature.

HEALTH

Insulation is an important factor in preventing excessive air infiltration and resultant draughts. It also offers another important adjunct to health in promoting the maintenance of uniform temperatures.

Insulation aids in preventing excessive air change in a house and thus considerably reduces the evaporation required to moisten properly the indoor air.

It has been conclusively proved that a house temperature of 64 to 68 degrees F. with 50 per cent relative humidity is as comfortable as 80 degrees F. at the usual indoor humidity figure of 25 per cent, and is more conducive to health.

Competent investigators state that a combination of low humidity and high temperature tends to reduce body vitality and produces inflammation of the nose and throat. Many of the colds and respiratory disease experienced during the heating season may be attributed to this cause.

AIDS IN PREVENTING FIRES

It is a well recognized fact that a period of very cold weather is usually accompanied by an epidemic of fires, in many cases with loss of life. A large percentage of these fires may be attributed to the forcing of furnaces and heaters and the consequent overheating of pipes and flues. In an insulated house the heat is so well conserved that a comfortable temperature may be maintained without additional firing.

Several of the more common insulating materials used in house construction are of a fire-proof, fire-resisting, or fire-retarding nature, furnishing an added safeguard against fire, especially when used in walls constructed of inflammable materials.

COST

The cost of insulating a new house will vary considerably according to the variety and thickness of insulator used. It is commonly assumed to be from 3 to 5 per cent of the total cost of the building and may well be termed comfort insurance.

An insulated house will require a smaller heating plant than a non-insulated house of the same size, hence a considerable saving may be made in the initial cost of furnace, radiators, and piping, not to mention the annual saving in coal and the greater comfort and more healthful conditions obtained. A further saving is also in many cases effected by using insulators having structural strength, in place of lumber for sheeting and in place of lath for plaster base. The net cost of insulating a new house may, therefore, be said to be from almost nil to 7 per cent of the total cost.

It is, except in a general way, almost impossible to state the cost of entirely insulating an old house because of the wide variation in the methods of treatment. The cost of insulating the attic or roof of a house of average size which should eliminate more than half the heat loss, will probably range from \$75 to \$150, depending on the type and thickness of the insulator used. The cost of insulating the walls of such a house may vary from \$100 to \$400 depending on the method used."

Taking government standards, it follows that, as a most conservative estimate, an average saving of three tons of coal per year is obtained, which in turn makes it possible by this saving to amortize the cost of insulation in a very few years. Again taking the government figures and assuming that the average freight car carries 55 tons of fuel it is apparent that the annual saving in freight handling alone would be in excess of 30,000,000 hopper cars per year.

The Pneumatic Insulating Company Limited is only one of two score insulating companies operating in Toronto and Southern Ontario. This company alone, since 1936, has completed total or

partial insulating contracts to the number of 8319. The ratio of commercial and public buildings to the total is about sixteen to one. Almost without exception buildings owned or operated by the Dominion of Canada have not availed themselves of the fuel saving possibilities of this industry.

Under the National Selective Service regulations, the industry is not recognized as pertaining to the construction industry at all, it does not receive any parallel priority with the construction industries, in respect of obtaining labour nor does it receive any parallel priorities in the matter of obtaining materials and equipment.

The purpose of this brief is to show that if the effective heating efficiency of the fuel used does not exceed 60 per cent of the British Thermal Units contained in the fuel then the most economical method of using fuel in the present emergency can only be obtained by preventing heat losses. The only possible method of doing this is by one or the other methods adopted by insulating engineers.

BY MR. FRAWLEY: This gentleman, Mr. A. Wilfred Menzies, has come to file with us as an exhibit a letter which his company has written to the Premier of Ontario. This letter is dated the 10th of October, 1944. It was written from where?

MR. MENZIES: In Chicago.

Q. From where in Chicago?

A. 100 West Munro Street, the office of the Standard Coal Mining & Converters Corporation.

BY COMMISSIONER McLAURIN: Who is Mr. Menzies and how does he happen to be here?

MR. MENZIES: I am the Canadian representative of Standard Coal Mining & Converters Corporation.

Q. It does business here?

A. It hopes to. I might point out to the Commission that I was requested Saturday afternoon to attend this Commission meeting and in view of the fact that Ontario lignite has been mentioned

it was thought it should become a matter of record. This is a letter I would like to read. Dr. Becker will be in Ottawa, I believe, on October 3rd, but he thought this should be read as a matter of record in the meantime, but a further brief will be read.

BY MR. FRAWLEY: I didn't quite understand that. You say Dr. Becker will be attending in Ottawa?

MR. MENZIES: Yes sir.

BY MR. FRAWLEY: I didn't understand that. I don't see why we should have two bites at it. This may as well be left for Ottawa. There is one reason against it, perhaps. I asked Mr. Sinclair, who appeared yesterday to put in reports of the Legislative Committee on this fuel, to come down and Mr. Sinclair is here. I don't suppose Mr. Sinclair proposes to be at Ottawa, but if Mr. Menzies is not here to answer any questions on it, but just to read the letter, and Dr. Becker is to be at Ottawa, it is whatever you think.

BY COMMISSIONER McLAURIN: I think it had better be delayed.

BY MR. FRAWLEY: I think it should go in at Ottawa. If I had understood that Dr. Becker was proposing to come--I think it should go in at Ottawa. Thank you, Mr. Menzies, for coming but I think it had better go in at Ottawa. And you, of course, Mr. Sinclair, have this letter available to you?

MR. SINCLAIR: I have a copy.

MR. FRAWLEY files

Exhibit 183 - Brief presented by Fuel
Protective Association of
Hamilton

The brief read as follows:

In attempting to analyze and explain some of the fuel problems as related to the use of coal in Hamilton, it is to be understood that any submissions or opinions expressed are those of the trade in general gained by an experience of twenty-five years in the wholesale and retail distribution of household and industrial fuels in this city and the adjacent territory.

Hamilton is most fortunate in its geographical location to the anthracite and bituminous fields of the United States and was served by water transportation across Lake Ontario and Lake Erie by schooners which usually returned with export grain to the Northern States. This movement dried up about 1900 due to increased railway facilities and the fact that surplus grain was used on the farms to produce other foods - but with the completion of the new Welland Canal the great proportion of both types of coal again went back to a water movement basis.

In the meantime the retail trade developed yards on rail sidings and also was forced by competition to establish dock space for the industrial bituminous fuels, not only of the U. S. but in certain years, small tonnages from Nova Scotia were marketed.

About 1928 to 1934 the retail trade was enabled to market anthracite from Wales and from Russia, some from Indo-China, but all these sources of high quality competitive fuels vanished from the market with the near approach of World War II.

Hamilton was dependent on U. S. anthracite as a household fuel until the coke production of the Hamilton By-Product Ovens Ltd. and the Steel Company of Canada placed their surplus production in the domestic field and were the means of bridging some very difficult times, when constantly recurring strikes in the American anthracite region would shut off all supplies for varying periods of time.

Unfortunately, after creation of a retail market, aided by the imposition of a duty against American coke (recently temporarily rescinded) they have been unable to fully take care of the demand for household use and many homes have been forced to use bituminous coal. The flues of most homes in Hamilton will not average seven inches to eight inches and it must be admitted this is not sufficient for proper and economical combustion of bituminous coal. Looking to the future of the retail fuel demands in Hamilton it would appear necessary to have architects, builders and heating equipment manufacturers

made fully aware of the probable trend in home heating from anthracite to soft coal. Wages and other costs in the production of American anthracite are so high now that the future trend may be for lower cost fuels, and as houses are built for a life time any future alterations would be costly and difficult, and probably would not be made.

Automatic stokers are finding a ready sale in the larger homes and the use of high grade American coals are proving very successful and are more economical than any other present type of heating.

In our opinion there is no place in the domestic market in this area for the use of Canadian coal, either Western or Eastern, in our present equipment. The available coals which we are obtaining from U. S. sources with a maximum freight haul of 500 miles are so far ahead of our Canadian coals as to be not worthy of discussion.

The use of fuel oil and gas in Hamilton will probably increase at the expense of solid fuels as they are both resultants of manufacturing processes which must be marketed, and under present financial conditions there are many consumers who do not look at the increased cost of this type of heating, being interested only in obtaining their home heat by turning a tap or a valve. It will probably take a first class depression to bring home to many consumers the real saving in money and added comfort obtainable with stoker equipment.

In the industrial market, Hamilton for many years, used Pennsylvania bituminous until with the entrance of West Virginia and Kentucky coals in this section, aided by low water transportation and the dock facilities with truck delivery, many have turned to the higher quality fuels obtainable from these two states. While the prices are higher these coals have been found more economical in the production of steam, and only now are industrial engineers working on plans for the development of steam plants to use low quality coals, such as the present type

produced in strip or open mining.

Nova Scotia coal was used in a number of plants some years ago, but even with the subsidy for freight subvention very few of the plants continued the use of it against U. S. coal.

Transportation enters so largely in the price of a bulk commodity such as coal that it has always seemed a fallacy to attempt to move it varying distances from 1200 miles to 2000 miles against the mere matter of 250 to 500 miles from the finest fields of the United States.

While the cost of coal is reflected in varying percentages in the price of merchandise produced by industry it has nevertheless been further increased by other charges such as duty - war import tax (now cancelled) and exchange, and it should be possible by some different taxing plans to put industry in a production position comparable with similar industries in other competing countries.

We estimate that about 65% of our importations are southern coals of the approximate average analysis shown below:

Moisture	1.60
Volatile	35.40
Carbon	57.00
Ash	6.00
Sulphur	.90
B. T. U.	14,000
F. P. A.	2,650

and under present O.P.A. maximum prices an average cost would be \$8.00 f.o.b. docks taking a further trucking cost and profit.

Anthracite is imported solely from the northern or Scranton fields under similar controlled costs, except that it is moved "all rail".

BY MR. FRAWLEY - EXHIBIT 184 will be "A Fuel Policy for Canada."

BY COMMISSIONER McLAURIN - Where was that printed?

BY MR. FRAWLEY - It is a reprint from the Canadian Journal of Economics and Political Science, Volume XI, February, 1945.

Exhibit 184 reads as follows:-

"A FUEL POLICY FOR CANADA

The importance of fire to mankind has been understood from the earliest times and is indicated by the inclusion of fire in the four elements recognized by the Greeks and by medieval scientists. Its significance was augmented during the industrial revolution and its aftermath, the Communication Revolution, when heat began to be used to generate power for driving machinery and for transporting people and materials over ever-increasing distances at higher and still higher speeds. It is not too much to say that modern civilization is largely based on heat, as energy derived from other sources forms a very small fraction of the world's consumption. In 1936, it was estimated that, of the world's supply of energy, coal contributed 63%, oil 18%, wood 12%, natural gas 5%, and water power 2%. Many attempts have been made to obtain power from the sun, to tap the heat of the earth, to use wind and tidal power but, though some of these projects have worked satisfactorily, the total amount of power produced by them is negligible. About 40% of the energy derived from fuel is used as power, the remaining 60% being employed for heating purposes.

The fuel problem. The fuel used in primitive times was small in quantity and was mostly replaceable in kind but, during the past century, the fuel reserves that were stored in the earth have been consumed with ever-increasing rapidity until their depletion has become a matter of serious national concern. Estimates of the life of these reserves are difficult to make and are based generally on the pre-war rate of consumption but, even before the war, the consumption of fuel was increasing

rapidly and the rate is likely to be accelerated after the war. Various projects are already being considered for increased immigration, more industrialization, and greater housing accommodation, and these will inevitable involve increased demands for fuel. This would not be a serious matter if our fuel reserves were evenly distributed both as regards location and variety, but our most abundant fuels are situated in the East and West, and the cost of transporting them to the most densely populated areas is great. Also, while there is enough soft (bituminous) coal in sight to last for several thousands of years, the available reserves of hard coal (anthracite) and petroleum must be reckoned in decades rather than in centuries. Indeed, the liquid fuel situation is already serious and is likely to get worse. We are constantly being told that Canada is to be one of the great world centres of air transport, and, in this area, the Toronto Transportation Commission is now visualizing the use of aircraft for semi-local transport, but nobody seems to bother about the necessary fuel supplies.

A Canadian Magazine (Trevor Lloyd, "Canada, Mainstreet of the Air" Maclean's Magazine, July 1, 1943) says that "plans have been drawn for a 63½ ton, 100 passenger transport, with four engines of 3,000 H.P. each, cruising at a speed of 266 miles per hour. It would have a range of 2,500 miles....." Assuming that 10,000 of the 12,000 H.P. are used for eight hours, the quantity of liquid fuel consumed by this machine in one trip would be about 20 tons. Seversky (A.P. Seversky, Victory through Air Power, New York, 1942, p. 317) described the military arrangements that he considers necessary for national survival, as follows: "When we visualize continuous long range aerial operations involving millions of gallons a day, it becomes obvious that direct and continuous flow of gasoline to airfields is a necessity."

In spite of this enormous additional demand for oil, it is stated that "air transport will not, in the near future, reduce road, rail or ocean traffic appreciably. It will create new

traffic." (F. B. Taylor, "The Truth about our Oil Supply" Collier's Weekly, Sept. 11, 1943). Further, the aircraft engines now employed can operate only on liquid or gaseous fuels, and therefore this extra demand will come on the kind of fuel of which we have the smallest available supplies. The United States is already alarmed about the situation and numerous articles have appeared recently, (Ibid.; H.L.Ickes, "Oil from Coal: A 'Must' for America" Collier's Weekly, Dec. 4, 1943; A.W. Baum, "Crisis in Oil" Saturday Evening Post, Nov. 20 and 27, 1943; H.L.Ickes, "We're Running out of Oil", American Magazine, Jan. 1944). pointing out the fact that the oil wells that are being drilled are becoming progressively less productive. The 222 wells drilled in 1937 increased the available oil reserves by about 280 million tons, while the 493 wells drilled in 1942 added only 42 million tons. More than twice the number of new wells in 1942 produced only 15% of the amount of oil discovered in 1937. The oil reserves in sight in the United States would be sufficient to last them for about twelve to fourteen years, if the fuel could be extracted at a uniform rate, but this is not possible, and the actual situation is worse than that indicated by simple division.

Large supplies of petroleum are known to exist in other parts of the earth but, even so, a world shortage of liquid fuels is threatened. A survey made recently (Conference of the Ultra-Fine Structure of Coals and Cokes, June 24, 1943. Address by J. G. Bennett, Director of British Coal Utilization Research Association) on the geological basis, allowing for 15% of the possible oil reserves remaining in the earth (a very conservative estimate) indicated a life of the world's oil supplies of sixty to a hundred years. But, if there is a greatly increased rate of liquid fuel consumption for aircraft propulsion, and if oil continues to displace coal for other purposes, this figure may easily be reduced to thirty or forty years and, in any event, an oil famine will be experienced long before the available supplies become exhausted. Also, costs of transport, labour, and machinery will probably continue to arise and this, combined with increasing

scarcity, is likely to cause early and substantial increases in price. It seems logical, therefore, to assume that supplies of gasoline and other fuels derived from petroleum must be reserved for those applications (such as aircraft) where no reasonable alternative is available and that substitute fuels must be developed for other purposes.

This situation may be changed somewhat if it should prove economically possible to produce oil in large quantities from the very considerable amounts of oil shale that exist both in Canada and the United States, or from the tar sands of Alberta. ("How much Oil have We?" Mechanical Engineering, Jan. 1944).

Both these sources have been investigated by the Dominion Government and, as the price of petroleum products increases, the process of extraction may become progressively more attractive. Even so, the fuel crisis is merely postponed to a later date.

Also, in the solid fuel field, Canadian peat bogs are estimated to contain a potential fuel reserve of nearly 35,000 million tons, (B.F.Haanel, Final Report of the Peat Committee, Ottawa, Department of Mines, 1925, p. 37) and the lignites of Northern Ontario have possibilities in the acute fuel area, but the results obtained, in both cases, were not very encouraging. (A Technical and Economic Investigation of Northern Ontario Lignite" Report of the Ontario Research Foundation, Dec. 1932).

A similar difficulty exists in the case of anthracite, which is widely used in Canada for house heating and has been imported, for many years, from the United States and Great Britain. The supply of this fuel is limited, (Estimates of the life of the United States deposits vary from 100 to 170 years, but these periods may be greatly reduced by increased rates of consumption on post-war years.) its cost is steadily rising, and there is always the possibility of the suppliers placing an embargo on its export.

In these circumstances, it is evident that the shortage in some classes of fuel is likely to continue to a greater or less extent after the war and that the establishment of a national fuel policy to conserve our wasting assets is a matter of immediate

importance. The economic possibilities may be summarized under three headings: (1) Conservation, (2) Reproduction, (3) Substitution.

CONSERVATION. If the rate of consumption of a fuel can be reduced by greater economy in its use, rises of price will be retarded and the useful life of the deposits will be extended. Just as balance sheets and profit-and-loss accounts are used in business to show the financial position, so heat balances are employed in engineering to indicate the nature and extent of the various losses. The probable value of any new fuel-saving device can be estimated by the kind of loss that it is supposed to reduce and the amount of such reduction. If an existing loss only amounts to 5% of the heating value of the fuel, its total elimination cannot produce a fuel saving of more than 5%. Yet such claims are frequently made and receive a great deal of publicity, for a time! During that time, the deluded investors lose their money.

In the heating of buildings there are two main possibilities. The fuel burned must supply the difference between the heat lost by the various leakages to the atmosphere and the heat supplied by persons, lights or processes. The quantity of heat transmitted through walls and ceilings may be reduced by adequate heat insulation, but losses caused by air leakage or excessive ventilation will be unaffected by insulation. After these leakages have been reduced to a minimum, the provision of effective insulation may reduce the fuel bill by 20 to 40 per cent, depending on circumstances. Thick insulation may be used to advantage in some instances for storing heat during warm periods, thus acting as a sort of heat reservoir. Considerable savings have been claimed for this form of construction in the case of some hospitals and other large buildings. The direct use of solar heat may be extended somewhat, with good results, in specially designed buildings, (Reader's Digest, Jan. 1944.) but it is unlikely that freak houses mounted on turn-tables and operating as

rotating solarium will be of immediate importance. Even if large numbers of these special buildings were constructed, there would still remain the problem of heating the enormously greater number of houses that are already in existence.

The ordinary household furnace is comparatively inefficient, even when it is well operated, and therefore considerable savings could probably be made by erecting large and efficient central-heating plants which would also produce electrical energy by means of steam turbines, the exhaust steam being used for heating purposes. This is also an effective way of combating the smoke nuisance and has been employed in many districts. (F.A.Combe, "Central and District Heating", Ottawa, Department of Mines, 1924).

In the production of power, more efficient plants may frequently be substituted for existing ones, with a consequent economy of fuel. During the last forty years the maximum efficiency of large steam plants has been increased from about 15 to over 30 per cent, this halving the fuel bill, and internal combustion engines frequently give still higher efficiencies. The latter may be operated by gas produced from coal.

In this field also, many weird and wonderful predictions have been made in newspapers and magazines by pseudo-scientific writers whose imaginations are more remarkable than their common sense. Unless some entirely new working principle is devised (and of that, at present, there is no hint), it is unlikely that post-war engines will differ very considerably in economy from the best of those at present in use. If new fuels (e.g., triptane) of greater potentiality can be obtained at reasonable prices, engines with special compression ratios and other refinements will probably be designed to take advantage of them, but there will still remain the hundreds of thousands of existing engines in which the economy or efficiency is dictated rather by the design of the engine than by the kind of fuel burned in it.

Some economy will probably be obtained by the use of lighter engines of smaller power than those at present employed in automotive work. This change was made in Europe twenty years ago and is long overdue in America, - it is absurd to provide 85 to 100 horsepower to carry one person around. There are limits to the reduction of size and weight, however, as, in this country, distances are greater and, in some localities, roads are rougher than are those in Great Britain or some parts of Europe.

The possible employment of rocket or jet propulsion does not alter the general situation materially as, though higher speeds can be produced by this means, there is no evidence to show that such machines will be more economical than those used at present. Present indications are that they will be less economical.

Considerable publicity has been given recently to the possibilities of the gas turbine, but usually no mention is made of the fact that its fuel consumption is now about twice that of a good Diesel engine.

There is also no evidence to show that atomic disintegration can provide a considerable quantity of power at any price. Indeed, it was suggested by a prominent American physicist that the release of energy by the annihilation of atoms may be possible only in interstellar space.

REPRODUCTION. Apart from the conservation of such fuels as we have, it is possible to grow some kinds of fuel at such rates that our stored resources may be spread over a longer period of time. Agricultural products, such as wheat, potatoes, barley, artichokes, corn and beets, (C.Y.Hopkins, Agricultural Alcohol for Motor Fuel, National Research Council Bulletin 886, Feb. 1941) can be used to produce alcohol which may be blended with gasoline up to 20 per cent without appreciably affecting either the power or economy of existing engines, apart from the fact that it increases considerably the anti-knock rating of the fuel. (R.G. Paustain, Road Tests of Automobiles Using Alcohol-Gasoline Fuels, Iowa Engineering Experiment Station, Bulletin 158, 1942. The

octane number of a gasoline was raised from 74 to 79.5 by the addition of 15 per cent of ethyl alcohol.) It has been estimated that 100 million bushels of our annual wheat surplus would give 200 million gallons of alcohol, or 20 per cent of the estimated 1941 motor fuel consumption of Canada. The minimum economic size of alcohol plant would produce 3 million gallons a year and its cost would probably be about \$1,200,000. The National Chemurgic Committee (A Survey of Canadian Research on the Utilization of Farm Products, National Chemurgic Committee of the Canadian Chamber of Commerce, 1941) stated that the most attractive source of alcohol was the sugar beet. The use of alcohol for transport would provide an entirely new market for Canadian farmers, would reduce the amount of imported liquid fuel, and, if surplus wheat were used, it would render crop reduction bonuses unnecessary and would save storage costs. These incidental savings should be taken into account when comparing the relative costs of gasoline and alcohol. Without this allowance, the cost of alcohol is about three to four times that of gasoline and, in European countries, the difference in cost was met by subsidies and by reduction of taxation. About 850,000 tons of power alcohol were produced in Europe in 1939, and Australia is increasing its production from 2 million to 20 million gallons of alcohol per annum. Waste sulphite liquor from wood processes contains about one per cent by volume of alcohol, and large amounts are produced annually (Estimated cost of production about 20 cents per gallon) from this source in Northern Europe. There is at least one plant in Ontario now manufacturing alcohol from sulphite liquor at the rate of 600,000 gallons per annum.

Wood is not only important as a fuel for stationary furnaces and as a source of alcohol; it can also be used, either directly, or in the form of charcoal, to produce gas for transport purposes. The gas producer or "gasogene" is a steel stove about 18 inches in diameter and 4 or 5 feet high, containing fuel which is maintained at a bright red heat by air or a mixture of air and

steam, sucked through the fire by the engine while the vehicle is moving. Apparatus to cool and clean the gas is also provided, and the principal difficulty is that of maintaining a hot fire and efficient cleaning at all speeds and loads, without either generating a gas of poor quality or clogging the filters and piping. There are about 800,000 of these mobile producer plants in Europe alone and some countries (e.g., Sweden) are almost entirely dependent on them for heavy transport. The power of the engine is reduced to 50-60 per cent of that obtained with gasoline, but the ratio may be raised (if convenient) by adding gasoline vapour during periods of heavy demand, by increasing the compression ratio or by supercharging the engine. (E.A.Allcut, Producer Gas for Motor Transport, Technical Memorandum No. 1, School of Engineering Research, University of Toronto, 1942; also E.A.Allcut and R.H.Patten, First General Report of the Sub-Committee on Producer Gas, National Research Council Publication N.R.C. 1220, 1943. The second General Report of this Sub-Committee is now being prepared.) For the past two years, experimental work has been conducted on producer gas by a Sub-Committee of the National Research Council, and a standard design and fuel specification for Canada have been submitted to the Dominion Government. Most of the plants weight about 500 pounds and they may either be mounted on the frame of the vehicle or drawn on a trailer. Shortage of tires makes the latter method impracticable at present and, in view of this and other disadvantages, the chassis mounting has been recommended. The committee does not visualize the use of these producers for motor cars (although they have been installed on cars and even on motor cycles in Europe), but recommends their use on heavy vehicles such as trucks, tractors, buses and boats. These consume large amounts of gasoline, and the consequent saving will ease the general fuel situation. In the lectures given last year (A.F.Coventry, "Soil and Water", Reconstruction in Canada, ed. C. A. Ashley, Toronto, 1943) Professor Coventry stressed the urgent need of reforestation for water conservation, maintenance of fertility, and reduction of erosion in Canadian soils, and

recommended that from 15 to 25 per cent of agricultural Ontario should be under trees. Mr. Coats stated, in the same series, that in Sweden and Finland the forest lands are "cropped" to the extent of 28 cubic feet of timber per acre per annum without reducing the timber capital. (Some experts state that this quantity can be greatly exceeded). Such a scheme would work admirably with a heavy transport system which is partly based on producer gas. The consumption of charcoal in these plants is about 1/5 pound per ton-mile, and that of wood is approximately 2/5 pound. The relative operating costs per mile in Great Britain, on a basis of a thousand miles travelled per week, are stated to be:

	Six-ton truck	Thirty-two passenger bus
Gasoline.....	15.66 cents	17.96 cents
Diesel.....	13.04 "	16.68 "
Producer gas.....	12.74 "	18.86 "
Steam.....	17.16 "

These costs include fuel, lubricants, tires, maintenance, and depreciation, and are based on a rate of exchange of £1 sterling equals \$5.00. The higher costs for buses are caused by the greater number of stops. Ten thousand heavy vehicles equipped with portable gas producers would effect an annual saving of at least 20 million gallons of gasoline.

SUBSTITUTION -

From the above, it is evident that the quantity of fuel that can be grown annually falls far short of the rate of consumption in Canada, and therefore it is necessary either to substitute other sources of energy or to transform some part of those fuels which exist in abundance into those of which there is an impending scarcity. At first sight, the most attractive solution is the use of electricity for heating and power.

Electrical energy is the cleanest and most convenient source of heat for buildings, but it has been pointed out in a recent paper (Huet Massue, "Heating of Dwellings" Engineering Journal, July 1943) that its employment is not economical or practicable for the following reasons: (1) the enormous amount of

power required; (2) the large capital investment; (3) the seasonal nature of the demand - the maximum demand for heating coincides with the present maximum power demand, and there is practically no heating load during the summer months; (4) the high cost of heating (resulting from 1, 2 and 3), which is more than three times that of the present cost of heating from fuel.

For transport work, electric batteries are generally too heavy (G. Egloff and P.M. VanArsdell, "Substitute Fuels as a War Economy", Chemical and Engineering News, May 25, 1942. In 1940 it was estimated that there was about 40,000 electrically-propelled vehicles in Europe.) and have too small a cruising range, and hydrogen, which may be produced by the electrolysis of water, must be stored and carried in heavy and bulky steel bottles. Compressed hydrogen, methane, and coal gas have all been used in this way, there being over a hundred thousand vehicles operated by compressed gas in Europe (1941), but the extra weight, difficulty of re-fueling, and small radius of action, have restricted their use. Liquified gases also have been employed, but either they are derived from petroleum or the quantity available is small. They may also be difficult to liquify, in which case they must be kept in vacuum tanks. Methane, derived from sewage by bacterial action, is an example of the last type. Acetylene, generated from calcium carbide, has been tried repeatedly, but has the disadvantage of a very low anti-knock value and is both poisonous and explosive. It is sometimes mixed with alcohol or ammonia to make it usable in automobile engines, but its use is very limited.

From the above it appears that considerable fuel-saving by the increased use of electrical energy, or by the use of chemical action, is improbable unless some entirely new process is developed.

Some economy may possibly be effected by the use of colloidal fuel (W. C. Schroeder, "Fuels and Fuel Research in Great Britain during the war, Mechanical Engineering, Dec. 1943) which is a mixture of 40 per cent finely powdered coal and 60 per cent oil. This has been used in some ships and is claimed to

work satisfactorily in the oil burners used in marine boilers. The tendency toward the increasing use of oil fuel in ships is shown by the fact that, in 1923, the tonnage registered at Lloyds was 26 per cent oil-fired and 74 per cent coal-fired, whereas in 1939 (the last report issued) the ratio was, oil 52 per cent and coal 48 per cent. This trend should be reversed in the post-war years to conserve liquid fuels.

The bituminous or "soft" coals, of which there is an abundant supply, may be split up into coke, gas, and light oils by heating the coal in retorts, and this process will probably provide a partial solution of the fuel problem. The shortage of anthracite for domestic use may be relieved by low-temperature distillation plants which will not only produce a coke suitable for use in small furnaces (J. L. Landt, Coke as a Household Fuel in Canada, Dominion Fuel Board No. 5, 1925) and gas producers, but also benzol, a liquid fuel which can be used in automotive engines. This has a high anti-knock value (octane number over 90), but freezes at a relatively high temperature (41 degrees F.). The coke produced can also be made into water gas, from which either menthyl alcohol or gasoline may be obtained by synthesis (Fischer-Tropsch process). The latter has a low anti-knock rating, its octane number being about 50, as compared with 75 for a first-grade automotive gasoline. A good Diesel fuel, however, can be obtained from this process.

Probably the most attractive scheme for producing large quantities of liquid fuel is the Bergius hydrogenation process, in which soft coal is converted almost completely into gasoline by adding hydrogen to it at high pressure and temperature (4,000 pounds per square inch and 850 degrees F.). About five tons of raw coal are consumed for every ton of gasoline produced. The latter usually has an anti-knock rating of about 70 on the octane scale, but a very wide range of products can be produced by varying the working conditions.

It is estimated that from one-third to two-thirds

of Germany's liquid fuel is being obtained from coal by this means and about one-fifth of Great Britain's supply is stated to be obtained in the same way. The possibility of using this system in Canada was explored by the Dominion Department of Mines in 1938, (T. E. Warren and K. W. Bowles, Tests on the Liquefaction of Canadian Coals by Hydrogenation, Ottawa Department of Mines, 1938, p. 106). and the yield of oil obtained varied from 154 gallons per ton from good bituminous coals down to 88 gallons per ton from dried peat. The Department of Mines and Resources has recently recommended to the Reconstruction Committee of the House of Commons the construction of a pilot plant costing \$400,000 (Great Britain spent \$5 million in research on this process between 1927 and 1933 and the United States Senate, on Nov. 9, 1943, approved a bill appropriating \$30 million for this purpose.), for experimental work in this field, and the United States is also taking similar action on a larger scale. (F.E.Smith, "Plant for the Production of Petrol by the Hydrogenation of Bituminous Coal", Proceedings of the Institution of Mechanical Engineers, vol. 133, 1936). The capital cost of a commercial plant of economic size (160,000 tons per annum) is estimated at \$40 million or \$250 per ton of annual output, and the cost of production in Great Britain is of the order of 21 cents per gallon. Mr. Ickes (United States Secretary of the Interior) states (Ickes, "Oil from Coal".) that the estimated cost in the United States in 1938 was 18 cents per U. S. gallon (21.6 cents per Imperial gallon) for a relatively small plant. Large plants would probably have lower production costs.

CONCLUSION.

From this brief general outline, it is apparent that the fuel problem is likely to be one of the most important in post-war Canada and that it can only be solved satisfactorily by a consistent and logical fuel policy, formulated and applied by the Dominion Government. No single solution is adequate, but several of the processes described above must be

combined in the proper proportions to give the best final result. The programme is too big and expensive for any other body to tackle.

The general scheme would appear to consist of three parts, depending on the cost and time required to put each section into operation, viz: (1) a short-term programme involving the substitution of some gasoline by alcohol and producer gas obtained from wood or vegetable matter; (2) a medium-term programme in which coking plants are installed to provide easily burnable, smokeless fuel, gas, liquid fuels, and by-products from Canadian coals; (3) a long-term programme in which Canadian soft coals are converted into liquid fuels by hydrogenation. Large producer gas plants could also be used for heating and power purposes, as in Europe. The reduction of process costs by the sale of by-products is not considered here, but in many instances the revenue from this source may be quite considerable.

(sgd) E. A. ALLCUT.

The University of Toronto."

BY MR. FRAWLEY: Just one more thing before we hear from Mr. Gunn. Mr. Caunt has called Dr. Howland's attention to a report which is No. 721 of the Fuel Laboratories in Ottawa. He has copied out certain extracts from this report to which he wants to call the Commissioners' attention.

BY COMMISSIONER McLAURIN: That can go in the library.

BY MR. FRAWLEY: I simply want to put that on the record. Now, Mr. Gunn, you are the secretary-treasurer and public relations counsel for the Toronto Retail Fuel Dealers' Association and you are here to present this submission?

MR. GUNN: Correct.

Exhibit 185 - Submission of William A. Gunn,
Secretary-Treasurer and Public
Relations Counsel for the Toronto
Retail Fuel Dealers' Association

WILLIAM A. GUNN proceeds to read Exhibit 185:

The comprehensive reports which have been made by the Dominion Steel and Coal Corporation Limited contain nearly all available factual information about the coal industry of Eastern Canada. Had other reports contained full information, and had they been fair to the public, this report would not have been made.

At 7.00 p.m., the day before yesterday, we were told that the powers of darkness had been completely defeated by the Allied armies on every field of battle, including the seven seas and in the air. Now we are faced with winning the peace, which some believe can never be accomplished without the establishment of the reign of righteousness, which includes honesty and a square deal all down the line to the very last man. The Canadian coal market rightfully belongs to Canadians. The proper production and distribution of Canadian coal offer the greatest single opportunity in this country. No time should be lost and no effort spared, which will once again bring Maritime annual coal production and distribution to its developed capacity of 8 to 10 million tons. We are, however, most reluctant about saying that Western lignite can claim no legitimate place in the

Toronto market, so long as there are huge quantities of undeveloped coal that is suitable for domestic use, which is low in ash and moisture content. The only coals that should come to this market from Western Canada at the present time are the bituminous coals, and for domestic use, sub-bituminous coals only. The latter are now being mined at Saunders Creek, west of Red Deer, and the three or four mines which are situated near the foothills on the coal spur branch west of Edson. Of course it could be said that coal from the Lethbridge field is black lignite bordering on sub-bituminous, that the moisture content is under 10% and B.T.U.'s about 11,000. Very little western coal production is now on a large enough scale to make for favorable mining costs. Coal freight rates on Western domestic coals should be lowered to out-of-pocket costs, which are less than \$5.00 per ton from Alberta to Ontario, on solid trains. Railroad rolling stock has at all times been altogether inadequate. One or two branch lines should be built. The first one near Banff, Alberta, serving the Ford holdings. More of the main lines should be double-tracked. Iron ore should be shipped west in the returning empty coal cars and one or two of the government war plants moved to the West and converted into steel plants. Should the coal industry not undertake their full share in the promotion of such development in Western Canada, the whole affair should be undertaken on a basis of national ownership, and form an important part of government reconstruction. Western bituminous coal is second to none on this continent. It is excellent coking coal. Lignite coals from Manitoba, Saskatchewan and Alberta, which have been processed, and the moisture content removed, are entitled to their fair share of the Toronto market.

Had we been honest in the development of Ontario coal, and carried out the plans which were recommended many years ago when Ontario lignite was shipped to Europe for testing, we could have had both production and plant assets, which would have been

helpful and very valuable. Instead of this having been done, nearly one million dollars have been worse than wasted on what appears to have been a form of political expediency.

There should be no further extension of hydro-electric on the coal seams of Alberta at the present time. Many Alberta coal mining plants should make use of their fines in the production of electricity, instead of buying it from hydro at no saving costs.

Fuel oil should not be allowed to undermine the coal industry at give-away prices, while car owners are forced to pay too high prices for motor fuel.

This year a business man in a town near Toronto complained about the high price he had been paying for coal. We suggested a change for him which has resulted in a saving of more than \$100 on a single car of similar coal. The coal trade of Toronto should provide a place for about 200 more rail dealers. The dock bottle necks which have caused so much trouble and suffering, were to a great extent caused by the coal combine that openly boasted that it would put out of business 75 Toronto coal dealers. About 100 were closed and everything they owned destroyed, with but few exceptions. Soldiers from the first World War were included. Therefore this Royal Commission will be expected to strongly recommend that the Government amend Canadian laws so that the destruction of business by monopoly will become a criminal offence similar to that of arson.

BY THE CHAIRMAN: Just there, Mr. Gunn, isn't there something akin to that in the criminal law today, the Combines Act, and weren't the coal dealers of Montreal, especially, prosecuted under that Act? I mean to say, we have the machinery there now, I think.

MR. GUNN: We endeavored to use that in connection with the vertical monopoly that put 100 coal dealers in this city out of business a few years ago, but the Attorney-General of this province and his counsel felt that the law was too murky

and dirty as it was to get anywhere, although I may say this, that there was one prosecution in Ontario under the law as it now stands, of a jam manufacturing company. It destroyed their business.

BY COMMISSIONER McLAURIN: That is not the only one; the box container people. The Combines Act has been used again and again and heavy fines have been imposed.

BY MR. FRAWLEY: Most of the leading cases come out of Ontario.

MR. GUNN: But that is in cases opposite to the one we have experienced. It is not in the destruction of business.

BY COMMISSIONER McLAURIN: It was an offence under the Combines Act.

MR. GUNN: Exactly. The Combines Act is very good in such matters, but not in what I am dealing with. (Continues brief):

All fuel coming into Canada should be handled in much the same way that shingles and other Canadian goods enter the United States, viz., on a quota basis. If, on the contrary, we are to follow the same policy as in the past, and we were to do so for reason of costs, we should then follow such a policy throughout our whole economy and close many steel mills, foundries, etc., and import much more heavily from Europe. However, should the terms of the Atlantic Charter be followed in our dealings with the great countries and governments of this Dominion both East and West, we will be forced to either remove subsidies altogether or extend their use a thousand times over.

Whatever recommendation is made to the Canadian Government by this Royal Commission will neither be useful nor helpful which does not have for its object a better and a more balanced economy, which will to at least some extent obviate the need for young men and women of both the Maritimes and Western Canada, leaving the province of their birth in search of work and ordinary opportunity.

However, a report that does not produce actual out-of-pocket railway transportation costs on solid trains of coal from the west, will not be complete, and of little if any value.

BY THE CHAIRMAN: Just in connection with that, of course while we have the right to look into that question I suppose there is an authority in this country, and the only authority in this country that has that right to bring the thing into actualities is the Board of Transport Commissioners, is it not?

MR. GUNN: I don't want what I have said, sir, to in any way throw any wrong interpretation against this wonderful Royal Commission that you are handling so well. I merely want to bring out that this is a very important question and one which the railways have ignored thus far.

BY COMMISSIONER McLAURIN: The railways have not made their submission yet.

BY THE CHAIRMAN: All that I have to say is that there is a tribunal in this country that has to deal with that.

MR. GUNN: Decidedly, and a good one at that. They are just a little too good for the coal industry in the movement of coal by solid trains to Eastern Canada. They have refused to give us the actual out-of-pocket cost.

BY COMMISSIONER McLAURIN: The railways will be making a submission. I imagine they will be making a submission on that very subject.

MR. GUNN: I am as proud of Canadian railways as any Canadian, I hope. I have worked for the both of them. (Continues brief):

Dealers' margins both wholesale and retail should be fixed on a proper and reasonable basis of all-round-yearly employment, and should provide enough income to cover outgo.

A continuance of government subventions on domestic fuels comes close to being a poor substitute for statesmanship. Nearly all coal shipped from Western Canada has been lignite and much of it contained less than 10,000 B.T.U.'s. This has been a disservice to the coal industry in Canada.

It is about time to stop importing reclaimed fuel rubbish and spoofing the public at top prices. This also applies to much of the Western lignite that is now being sold in Toronto. Only top quality Canadian coals should be offered for sale in this market because of the long haul. No one should be expected to pay high freight charges on coals that are high in ash and moisture content.

As for British Columbia, the Pacific Great Eastern Railway should be extended to the Peace River country. This would make available for use on the Pacific Coast some of the best coals in Canada. It would also help greatly in the promotion of Peace River, Canada's next new province, with more than 40 millions of acres of fertile agricultural land, an area larger than the six New England States.

BY THE CHAIRMAN: Thank you, Mr. Gunn.

BY MR. FRAWLEY: Now I want to put on the record two letters that have come in from Robert W. Angus, who read a brief of Industrial Consumers of Hamilton. The first one is addressed to Dr. Howland. I think I will just give it a number and it will appear on the record.

Exhibit 186 - Letter from Robert W. Angus to
Dr. R. D. Howland - 16/8/45

Dr. Robert D. Howland, Secretary,
The Royal Commission on Coal,
Royal York Hotel, Toronto.

Toronto, Canada,
August 16, 1945.

Dear Dr. Howland:

The following is a list of companies who supplied data for the Brief presented on behalf of the Industrial Consumers of Coal in Hamilton. This is in answer to your telephone request today.

Canadian Westinghouse Company
National Steel Car Company
Steel Company of Canada, Ltd.
Hamilton Bridge Company
J. R. Moodie Company
Aerovox Company
Burlington Steel Company

Canadian Drawn Steel Company
Fuller Brush Company
International Silver Company
Norton Company
Otis Fensom Company
International Harvester Company
Canadian Porcelain Company

These companies are amongst the largest users of coal for power purposes, and as stated in the Brief, users of special coals are not included.

If there is anything more you want kindly call upon me.

BY MR. FRAWLEY: And then the other letter is addressed to the Chairman and Members of the Commission, and it is just some further comment on the freight rates he raised.

Exhibit 187 - Letter from Robert W. Angus to
Chairman and Members of the Royal
Commission on Coal - 16/8/45

Toronto, Canada,
August 16, 1945.

The Chairman and
Members of the Royal Commission on Coal,

Gentlemen:

When presenting to the Commission last Tuesday, the Brief on behalf of the Industrial Consumers of Coal in Hamilton, certain questions arose which I should like the privilege of answering.

As I assumed, perhaps incorrectly, that the Commission would recommend to the Government what aid, if any, it thought should be given to the coal industry, I felt that the Brief should present facts as to the actual coal cost and its suitability to the needs of Hamilton consumers.

The rail freight rates on page 9 are from the C.N.R. and the Pennsylvania R.R. except for the rate Sydney to Hamilton, which I got from one of the largest coal users in Hamilton. The latter rate of \$6.10 per ton shows the railroad charges and, as stated, does not include the 70 cents per ton contributed by the Government, as this appears to be a form of charitable contribution paid by the Canadian people.

In my opinion the Commission would get an entirely wrong impression had it been given anything but the actual costs of placing the coal in Hamilton. Whatever contribution the Government makes does not affect this but does affect the price paid by the consumer, and as this contribution is of a charitable nature, it should, in my opinion be so marked and not masked in the coal price.

Clearly if the Hamilton consumers use Nova Scotia coal, instead of American coal, someone must make up the difference of \$3.21 in cost per ton, and in addition the consumer may be forced to make expensive alterations and additions to his boiler plant.

BY THE CHAIRMAN: Well, gentlemen, this concludes our hearing in Toronto and we want to thank all those who came forward and gave us briefs with whatever assistance they contained, and I think I can say for the three Commissioners that they have enjoyed their visit in Toronto. Apart from any business that we may be here for our social activities have been very well looked after. I was a little afraid myself to allow a man of my own weakness and failings in the matter of temptation to come to such a city as Toronto, where I know temptation abounds so heavily. However, I think we all overcame the serious difficulty in the social structure here that we know something about.

12.10 P.M. - COMMISSION ADJOURNED

ROYAL COMMISSION ON COAL

Montreal, Que., Monday, August 20th, 1945.

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ROYAL COMMISSION ON COAL

Montreal, Que., Monday, August 20th, 1945.

VOLUME XXXVI

EXHIBITS

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Montreal, Que.,
Aug. 20, 1945.

The Royal Commission on Coal reconvened at the Old Court House, Montreal, Que., at 10.00 A.M., Monday, Aug 20, 1945.

PRESENT:

His Lordship Mr. Justice W. F. Carroll, Chairman
His Lordship Mr. Justice C. C. McLaurin, Commissioner
Angus J. Morrison, Esq., Commissioner
J. J. Frawley, K.C., Commission Counsel
Dr. R. D. Howland, Secretary

BY MR. FRAWLEY: Mr. Chairman, we will begin with the brief concerning the importation and distribution of British anthracite in the Montreal area. Mr. Harry Aird will put the brief in. Mr. George A. Campbell, K.C., who is counsel for the Import Company, is here with Mr. Aird.

HARRY AIRD, Examined By Mr. Frawley.

You are associated in Montreal with the British Coal Corporation primarily, are you not?

A. Yes sir. I am an executive officer of the British Coal Corporation.

Q. And it is actually in that capacity that you undertook to be responsible for the preparation of the brief which you are ready to present this morning?

A. At one of the preliminary meetings which you held in Montreal and discussions which you had you requested that the brief be filed, and I think you looked to the British Coal Corporation to take the lead in the arranging for the presentation of the brief.

Q. And this is the result of that, that you have prepared this and that you are here today to present this?

A Right, sir.

Q We will number this brief Exhibit 188.

Exhibit 188 - The Importation and Distribution of
British Anthracite (Montreal Area)

MR. AIRD: I have been requested to present on behalf of the signatories a brief dealing with the importation and distribution of British anthracite in Montreal. The brief is being submitted jointly by British Coal Corporation, the Scotch Anthracite Coal Co. Ltd., The Canadian Import Company Limited, F. P. Weaver Coal Company Ltd., Mongeau & Robert Cie. Ltée. and Vipond-Tolhurst Limited. It is divided into 15 sections.

MR. AIRD proceeds to read Exhibit 188:

SECTION I

GENERAL OUTLINE OF THIS BRIEF

The purpose of this submission is to present, in brief outline, a general review of the activities of that branch of trade in Montreal known as the Importation and Distribution of British Anthracite.

Our intention is to discuss its origin, its development, and the manner in which it has been operated up to the outbreak of war in 1939.

We will also comment upon the disturbing effect which five years of war have had upon this particular section of trade, and we will offer our opinion as to the prospects of British anthracite importations being actively resumed and developed when the present war comes to a conclusion.

Section II

HOW AND WHY THIS SECTION OF TRADE CAME INTO EXISTENCE

It is first of all necessary to make certain observations of a general character which may be of assistance to the Commissioners in appreciating the background and circumstances which gave rise to the development of this overseas trade and the importance which it has assumed in relation to Dominion trade as

a whole.

One important feature of the Canadian fuel problem is that despite all the coal resources which Canada possesses there is no anthracite known to exist throughout the entire country except in a few isolated areas in the Rocky Mountains. Yet, so far as Eastern Canada is concerned, anthracite is regarded as a necessity for domestic heating and it is demanded by the public as such. Consequently to meet this fixed demand all supplies have to be brought in from outside the Dominion.

POSITION
TWENTY-FIVE
YEARS AGO

Twenty-five years ago this meant that approximately 5,000,000 tons of anthracite were imported per annum from the United States, because at that time (1920) Pennsylvania was the one source of supply open to Canadian buyers. It is true that for several years prior to World War I there had been a small quantity of hard coal coming in each year from Great Britain, but it was only a negligible tonnage and amounted to less than one per cent of what was brought in from the United States. And when war broke out it dwindled almost to nothing, and in 1920 it stopped altogether.

In 1920 and 1921 Canada's total importations of anthracite amounted to 5,090,767 tons and 4,839,559 tons respectively, and it all came from Pennsylvania. This sole dependency upon one source of supply was viewed with considerable concern in official circles but its dangers were not fully realized by the public until a prolonged strike took place in the American coal field in 1922.

From that time onwards efforts were made by members of the Montreal coal trade to correct this situation and serious attention was given to the possibilities of securing an alternative source of supply by establishing a permanent trade with producers of anthracite in Wales and Scotland.

BRITISH
IMPORTATIONS
ESTABLISHED 1922 Eventually by process of trial and error this was achieved. It can be said that within ten years of the American coal strike of 1922 there had been established on the St. Lawrence

a branch of trade consisting of importations of Welsh and Scotch anthracite reaching to such volume as removed much of the anxiety from the public mind as to what would happen in the event of American supplies being curtailed or embargoed by emergency.

By 1939 this development had become one of the most important features of intra Empire trading. It formed a large percentage of the trade between the Dominion and Great Britain and consequently has been of considerable value to the marketing of Canadian produce abroad, particularly in the movement of grain, because it has provided shipping facilities by way of return cargoes at reduced cost, to the extent of over one million tons per annum.

The pioneer work involved in establishing this trade, however, was not carried out without difficulty and considerable loss; and the initial losses, together with the physical necessity of employing a system of marketing entirely different from that which coal distributors had been accustomed to in marketing the American coal received by rail from Pennsylvania mines, had a material influence in determining how this import trade eventually became organized.

Between the period of 1923 and 1929, owing to competition and experimental conditions locally, the marketing of Welsh anthracite in Canada resulted in a net loss to the Welsh interests of approximately \$800,000.00. Losses were also incurred during the same period by the Scottish interests. Efforts were therefore made to establish this branch of the trade on a sound commercial basis, and the history of how the various importing and distributing agencies came into being may be briefly stated as follows:

Section III

WHO ARE THE PEOPLE INVOLVED IN THIS TRADE

It need hardly be stated that there are two main groups of people involved - the British producers and the Canadian importers. So far as the British producers are concerned they

in turn may also be divided into two main groups - the Welsh producers and the Scotch producers. The Welsh coal field has always been operated quite separately from the Scottish coal field and there is no connection between the producers in the one field and the producers in the other. Likewise the Canadian companies that have operated as importers of Welsh anthracite have always been quite separate and distinct from the importers of Scotch anthracite. But whereas the producers and exporters in Wales and the Welsh importers in Montreal have been multiple on both sides of the Atlantic, Scotch coal on the other hand has been exported by one exporting company in Scotland and imported by one importing company in Montreal.

We will deal first with the history and ramifications of the Welsh importing companies and their corresponding exporters.

CANADIAN WELSH ANTHRACITE CO. & in, back to the pioneer period mentioned above, one of the first companies established to develop the sale of Welsh anthracite in Canada was the Canadian Welsh Anthracite Co. Ltd. This Company was formed in 1923 with a capital investment supplied by the Amalgamated Anthracite Collieries, of Swansea, Wales, in partnership on a fifty-fifty basis with the F. P. Weaver Coal Co. Ltd. of Montreal. The Amalgamated at that time was one of the largest producers of anthracite in Wales but it did not then control as great a number of mines as they subsequently acquired in many years.

VULCAN
DOCK

When the Canadian Welsh Company was formed it acquired dock space on the harbour front at Montreal and erected substantial equipment for the handling of Welsh coal in large volume. These premises were known as Vulcan Dock, Section 71. They are still known as such at the present time, and the same plant and equipment, although considerably increased in capacity, are still in use for the handling of Welsh supplies, but under different ownership, as will be discussed later.

The mechanics of this organization were as follows: The Amalgamated Collieries were the principals and shippers of the anthracite. The Canadian Welsh Company were the importing agents for the Welsh shippers, and F. P. Weaver Coal Company acted as managers and sales distributors for the importing agents.

The Canadian Welsh Company carried on operations for six years (1923 to 1928 inclusive) and during that period importations increased in volume each year. These operations were largely pioneering and experimental. The Amalgamated Collieries were anxious to establish a market for their coal in Canada and linked up with the Weaver Company in Montreal in a sort of joint venture to achieve this objective. The plant which they set up at Vulcan Dock was a replica of the surface equipment that will be found at any anthracite colliery. The coal was shipped out to Canada mostly in large lump size and the breaking and sizing process that is normally done at the pithead was in this case done at Vulcan Dock.

PIONEERING
DIFFICULTIES

They ran into difficult marketing conditions because (1) it was necessary to sell Welsh coal at a considerable premium over American owing to Welsh coal being higher in cost; (2) there was a disinclination on the part of dealers to take up Welsh anthracite because some of them had solid connections with the American producers and their yards and equipment were laid out to handle rail-borne American coal; besides which, Welsh coal, being quite brittle in comparison with American, disintegrates quickly when physically handled and therefore from a dealer's point of view was far from popular; and (3) from the breaking and sizing and screening process carried out at Vulcan Dock they accumulated an enormous quantity of fines and small sizes which were practically unsaleable. All of which meant that these six years of operation resulted in a net deficit of \$800,000.00 as we have already mentioned above.

The Welsh shippers and the Weaver Company, therefore, naturally came to the decision that some rearrangements in marketing were essential. Before discussing the subsequent changes that took place, however, it is necessary to refer to the activities of other Welsh importers who had been operating in Montreal during the same period.

THE CANADIAN IMPORT CO. LTD. About the year 1922 The Canadian Import Co. Ltd. of Montreal also took an active interest in this question of developing an alternative supply and established connections with Llewellyn, Merrett & Price Ltd. of Cardiff, Wales, who were the exporters of Aberpergwm, Vale of Neath, Welsh Collieries.

The Canadian Import Company were already operating dock premises at Bickerdike Pier where they handled substantial quantities of bituminous coal. To them the venture of importing and marketing Welsh anthracite was nothing new so far as the discharging and storing of cargoes were concerned. But it was experimental and highly speculative in handling the coal after it was received in order to make it competitive in size, preparation and price with the American anthracite which was so strongly consolidated in the Montreal market. And it was this yardstick of American prices, and the well prepared condition in which American coal arrived at the dealers' yards by rail, that provided a competitive level which exporters and importers found it almost impossible to meet.

BICKERDIKE PIER While the C.I. Company had not erected the same kind of plant that the Canadian Welsh Company had installed at Vulcan Dock for the breaking of large coal, they had invested in extensive equipment at Bickerdike Pier for the processing of partly prepared sizes, and the difficulties which had to be met by the operators of Bickerdike Pier were in substance the same difficulties which confronted the operators of Vulcan Dock.

Nevertheless The Canadian Import Co. by reason of the previously established marketing organization gradually

built up an extensive volume of importations and marketed their supplies to most dealers in Montreal and District as well as in Ottawa.

MERGER OF
WELSH
COLLIERIES

But meanwhile, their Welsh principals, Llewellyn, Merrett & Price Ltd. merged with the firm of Gueret Ltd. and became Gueret, Llewellyn & Merrett Ltd. And a further and more important change that took place was that in 1928 the Vale of Neath Collieries (the exclusive source of supply to the C.I. Co.) were sold outright to the Amalgamated Anthracite Collieries, Swansea, who were the principals of the operators of Vulcan Dock.

The combination of circumstances, therefore, which included the merger of the two sources of supply that were feeding two competitive Montreal importing companies, together with the unsatisfactory financial results of the Amalgamated's venture in financing Vulcan Dock operations, led to a reorganization of export and import arrangements. This reorganization took shape in the following way.

AMALGAMATED
ANTHRACITE
COLLIERIES

By the close of 1928 the Amalgamated Anthracite Collieries in Wales had purchased and acquired control of about 65% to 70% of the Welsh anthracite production. This was in line with the general development that was taking place throughout the British coalfield, including all the bituminous fields in England, Scotland and Wales. It was an agreed policy in the British coal industry that as its future depended upon reducing costs of production this objective could be achieved only by a large scale amalgamation of producing companies. The policy was supported by the Baldwin Government and it was recommended as a practical solution by the Royal Commission headed by Lord Samuel which investigated the coal industry in 1927. The extension of Amalgamated's control was therefore part of this general policy.

BY COMMISSIONER MORRISON: There is an even greater amalgamation now, I understand?

MR. AIRD: There may be. (Continues brief):

It was at this time that Amalgamated decided to revise its export policy ---

Yes sir, I get your point. (Continues brief):

.....in relation to the Canadian market. For several years they had been losing money in their Montreal venture, whereas the Vale of Neath Collieries, which they had now acquired, had not incurred any losses at all, because all the Vale of Neath shipments to the Canadian Import Company had been sold on a cash basis, that is the coal was paid for within 30 days of the cargo being placed in the steamer. In other words Amalgamated had been sharing the financial risk of handling and processing their own coal in Montreal whereas the Vale of Neath shippers' interest had ceased as soon as their coal was loaded into vessels in Wales.

AMALGAMATED'S WITHDRAWAL Amalgamated's decision therefore was to withdraw financially from the Montreal operations and sell their coal to the Montreal market on the basis of f.o.b. vessel. Their further decision was that as the Weaver Company had carried out valuable pioneer work in establishing Amalgamated's coal in Canada, and as the Canadian Import had also performed similar service in developing the sale of Vale of Neath coal in the same area, the most practical way of promoting the Canadian market as an outlet for Amalgamated's newly increased production would be by securing both the Canadian Import Co. and the Weaver Co. as joint distributors.

FORMATION OF BRITISH COAL CORPORATION Amalgamated's withdrawal financially from the Montreal operations was effected by the formation of a new company known as the British Coal Corporation. This is an entirely Canadian company financed by Canadian capital. The company was formed early in 1929 and purchased the plant and machinery as well as the coal stocks then existing at Vulcan Dock; and this new company was appointed by Amalgamated as the official importing agent for Amalgamated's coal on the understanding that

they (B.C.C.) would in turn appoint the Weaver Company and the Canadian Import Co. as joint selling and distributing agents for all the Welsh anthracite that B.C.C. would bring into this market. A further stipulation was that British Coal Corporation would purchase and market annually from the Amalgamated not less than a stated minimum quantity of Welsh coal.

These arrangements have continued right up to the present time - the B.C.C. are the importing company and the Canadian Import Co. and the Weaver Co. act as joint selling agents.

BY MR. FRAWLEY: You are going on to something else there. I wonder if you would mind going back over that one bit again. Import was already there and Weaver was already there. Now why create the British Coal Corporation?

MR. AIRD: That undoubtedly was a matter of arrangement with our exporters. In other words, the Amalgamated had been shipping to the Canadian Welsh Anthracite Company as an importing company and a handling company, and then the B.C.C. was formed to take care of the importing and also the providing of handling facilities, storage, plants for processing, etc.

BY THE CHAIRMAN: There might be another reason too, that the two importing companies in Montreal were dealing with two exporting companies which became amalgamated in Wales.

MR. AIRD: That is true, sir.

BY MR. FRAWLEY: Well, couldn't Import have done everything which B.C.C. did after it was organized?

MR. AIRD: Well, that might have been a little difficult, Mr. Frawley. The position of Weaver and again the position of the Canadian Import Company might not have been a satisfactory one had the Amalgamated selected either one of those companies to be the importing organization. Therefore a neutral importing organization was organized.

BY MR. FRAWLEY: Well, if it were neutral, but of course B.C.C., Import and Weaver are all one family at the moment?

MR. AIRD: Not at that time.

BY MR. FRAWLEY: How long afterwards did they all come into the one control?

A Some years.

Q Well, that is another story. Perhaps we will ask you something about that again, but I was bothered about your "Amalgamated's) withdrawal financially from the Montreal operations." I don't know why that necessarily required the formation of a separate company altogether, why Import couldn't have been chosen, or Weaver, to have done what British Coal Corporation was formed to do?

A Well, as I recollect, Amalgamated wanted a company formed to take the place of the Canadian Welsh Anthracite Company, who had been the importing company previously.

Q Oh well, it may have been that the idea of the formation of British Coal Corporation originated in Wales with Amalgamated. Is that what your recollection is?

A Yes.

MR. AIRD continues brief:

CANADIAN INDUSTRIAL COAL CORPN. We now turn to other Welsh importing companies in this market. In 1926 the Canadian Industrial Coal Corporation was formed in Montreal and financed by Montreal interests for the purpose of bringing in Welsh supplies. Prior to this there had also been formed, by the same interests, the Canadian Industrial Coal Co. Limited for the purpose of marketing Scotch anthracite, but as these two companies were operated separately we will discuss the Scotch angle later and deal immediately with the Welsh.

The Industrial Corporation took over premises for handling and storing their coal at Harbour Section 30. They had no discharging equipment but handled their coal from steamers into storage by means of Montreal Harbour Commission cranes.

BY THE CHAIRMAN: There was a question that I was going to ask you before. You had little market in the early

days in this area for Welsh anthracite screenings?

A They were a drug on the market, sir.

Q Now are you importing Welsh anthracite screenings today direct?

A Not today, but there has been a limited quantity of Welsh anthracite screenings come into the market from time to time when bituminous and other coals were in short supply, but the tonnage was negligible.

Q We burned a lot of it in Nova Scotia, I mean before the war.

A Oh yes. Very little of it came in at any time, sir.

MR. AIRD continues brief:

All their purchases were made from T. T. Pascoe Ltd., Swansea, exporters of Welsh anthracite, who had the selling agency for the putput of various Welsh mines other than those owned by Amalgamated. In the season 1927 they imported 72,000 tons. Their experience, however, was much the same as other Welsh importers at that time as related above, in that they had great difficulty in meeting the competition of American coal both as regards price and preparation. In the end their operations became unprofitable and they eventually ceased business in 1928.

BEACON COAL COMPANY LTD. When the Canadian Industrial Corporation went into liquidation in 1928 there was a substantial tonnage of Welsh coal in stock on their premises at Section 30. Therefore their Welsh shippers, T. T. Pascoe Co., decided to form a subsidiary company of their own in Montreal to dispose of those stocks. This materialized in the form of the Beacon Coal Co. Ltd. which was established in 1928.

This company carried on operations at Section 30 during the season of 1929, and liquidated the coal stocks which had been accumulated by the Industrial Corporation, together with various cargoes which they imported during that year from Wales. These operations being completed the Beacon Coal Co. ceased business at the close of 1929.

HARTT & ADAIR
COAL CO. LTD.

When the Beacon Co. closed down the Pascoe shippers appointed as one of their importing agents in Montreal the form of Hartt & Adair Coal Co. Ltd. It was also arranged that the remainder of their shipments would be taken by the Weaver Company. The Hartt & Adair Co. had for many years previously been large importers and distributors of American anthracite and owned extensive storage yards in the city for the receipt of American coal by rail. Their interest in British anthracite therefore was only one of necessity in that they regarded it as a necessary development to establish a connection with Welsh shippers in the event of Welsh anthracite becoming a permanent factor in the Montreal trade. It was as such that previous to 1929 they had imported several Welsh cargoes from time to time which they handled at different sections of the Harbour front.

When they concluded their arrangements with the Pascoe company in 1930 they operated for two or three seasons from Sections 28 and 29; but in 1932 they decided to have all their cargoes of Welsh anthracite discharged on to Bickerdike Pier and processed for them by the Import Co. Eventually the Hartt & Adair Co. became affiliated with the Canadian Import Co. and in recent years they have ceased to import direct from Pascoe and now draw all their supplies of Welsh coal from the C.I. Company.

MONGEAU
& ROBERT
CIE. LIMITEE

Another large importer of Welsh anthracite is the firm of Mongeau & Robert Cie. Ltée. This company has operated in Montreal for many years and has been interested in overseas anthracite for fifteen years and longer. In 1929 and 1930 they purchased some part cargoes of Welsh coal from the British Coal Corporation, taking delivery of these shipments at Section 29, which premises M. & R. have operated since 1928. They also purchased occasional cargoes at different times from other sources, but from 1934 onwards they became regular importers of Welsh coal from T.T. Pascoe Ltd. through

regular importers of Welsh coal from T. T. Pascoe Ltd. through the latter's associate company, Bessler, Waechter, Glover & Co. Ltd. as well as of other European anthracites. For the season 1935-36 M. & R. purchases were made directly from the Pascoe Co.

During 1939 their importations of Welsh anthracite were in large volume and they have continued to receive supplies right through the period of the war up to date. They have no financial connection either directly or indirectly with any other importing company in Montreal, although under war conditions they have been obliged to share steamers with other importers as arranged by the Ministry of Shipping.

THE
THOMAS-WILLIAMS
COMPANY

Another company engaged in the importation of Welsh coal is the Thomas-William Company of Montreal, who since 1934 have been exclusive Canadian agents for W. R. Barrett & Co. (Coals) Ltd., Swansea, shippers of Welsh anthracite drawn from various independent collieries.

From 1934 up to early 1943 The Thomas-Williams Company were responsible for marketing a number of cargoes of Welsh coal from time to time, all of which were sold to receivers in Montreal and Toronto. These transactions were on a brokerage basis, The Thomas-Williams Company acting solely as selling agents on behalf of their Welsh principals W. R. Barrett & Co. Ltd.

Since February 1943 however The Thomas-Williams Company have operated as direct buyers of Welsh anthracite on a purchase basis - that is to say they have purchased their coal from the Barrett shippers on an f.o.b. Swansea basis, and have disposed of their importations in Montreal and Toronto in accordance with directives received from Coal Control at Ottawa.

They do not act as distributors as all the coal which they import is transferred to their customers en bloc as received from the source of origin. Consequently they do not operate any dock and have no storage or processing facilities, which also means that they do not issue any wholesale price lists to the retail trade as they do not maintain any stocks.

In addition to the above two other Montreal companies have been engaged in bringing Welsh anthracite into this market but have since relinquished active importation.

COOPERATIVE
CATHOLIQUE

One of these was the Cooperative Catholique des Consommateurs de Combustible. This was a company organized in 1933 with the object of importing large quantities of Welsh coal to sell direct to Catholic religious institutions through the Province of Quebec, the idea being to bring in the coal and dispose of it direct to the institutions at cost price, plus a commission to the C.C.C.C.

They purchased their shipments from one or more independent coal exporters in Swansea, and the cargoes were handled and stored at Section 34. They carried on the business of selling to institutions and also developed a large wholesale and retail trade in Welsh anthracite with the coal dealers and public of Montreal through their subsidiary the Richelieu Coal Co. Ltd. The C.C.C.C. and Richelieu maintained business activities for several years importing somewhere about 50,000 to 75,000 tons of Welsh coal per annum. But apparently these operations became unprofitable and eventually the business closed down.

TOLHURST
LANE CO. LTD.

The other company engaged in Welsh importations was the Tolhurst Lane Company Ltd. This was a company formed by Vipond-Tolhurst Ltd., Montreal, and R. G. Lane Co. Ltd. of London for the purpose of purchasing, importing and handling cargoes of Welsh anthracite for resale to Vipond Tolhurst Ltd. They operated during the years 1932, 1933 and 1934 at Racine Pier and brought in approximately 160,000 tons of Welsh coal during that period. But subsequently the Lane interests withdrew from the Canadian market and Vipond-Tolhurst Company made other arrangements for their supplies.

We now return to the importation of Scotch anthracite.

CANADIAN
INDUSTRIAL
COAL CO. LTD.

When the Canadian Industrial Coal Co. Limited was formed in 1924 they secured an agency from

Maris Export & Trading Co. Ltd., London, for the importation of Scotch anthracite. The Maris Company are the sole exporters of the Scottish Anthracite Producers Association. The Industrial Coal Company operated from Section 29 adjoining the Industrial Coal Corporation (referred to above) and both companies were under the same management. The activities of this company continued until 1927 during which period they imported large quantities of Scotch anthracite coal. Operations, however, proved very unprofitable and the business closed down.

SCOTCH
ANTHRACITE
COAL CO. LTD. It was at this time that the Maris Co. decided to launch a subsidiary company of its own in Montreal and the Scotch Anthracite Coal Co. Ltd. therefore was formed in 1927 as a Canadian company.

This company has conducted an extensive trade in the marketing of Scotch anthracite in Montreal and throughout Eastern Canada. It has large dock premises with elaborate discharging equipment and processing plant and handles between 250,000 and 300,000 tons per annum. It has no connection either directly or indirectly with any other company in Canada and forms a formidable competitive factor for both the Welsh and American anthracite marketed in this city.

BY MR. FRAWLEY: It is probably in your brief, Mr. Aird, but how does that compare with what B.C.C. brings in, 250,000 to 300,000?

MR. AIRD: The Welsh tonnage as a whole--not necessarily just the Canadian Import Company but the Welsh tonnage entering the Canadian market runs about two to one. I think that is covered a little later. (Continues brief):

It should also be added, however, that the Scotch Anthracite Coal Company, while mainly engaged in the importation of Scotch coal, are also importers of Welsh anthracite from time to time, although not in large volume.

SUMMARY OF DISTRIBUTORS Summarizing all of the above therefore the position as regards British anthracite importations as at the

close of 19393 (and during the war period to date) was as follows:

All Scotch anthracite coal imported into Montreal is handled by the Scotch Anthracite Coal Co. Ltd.

Welsh anthracite importations are handled (1) by British Coal Corporation with The Canadian Import Co. and F. P. Weaver Coal Co. Ltd. acting as selling agents, (2) by Mongeau & Robert Cie. Ltee., and (3) to a limited extent by the Scotch Anthracite Coal Co. Ltd.

It should be stated, however, that so far as the Welsh anthracite is concerned, while at the present time only a few organizations are actively engaged in its importation, under normal peace conditions there is nothing to prevent other interests from engaging in this trade provided they are prepared to risk the necessary capital investment and establish an organization that will permit of coal being handled in sufficient volume to place it on the market in a condition acceptable to the consumer and at a price competitive with the permanent competition offered by American and European coals. Under normal conditions it is always possible for anyone to purchase cargoes of Welsh anthracite, but unless it is handled in large volume and by operators experienced in importing, discharging, handling and preparation it is not always possible to market that coal in a condition and at a price competitive with coal brought in by other importers.

It should also be mentioned that the Montreal importations form only a part of the total Canadian importations of British anthracite. The Amalgamated Company and the Pascoe Company have direct relations with importers in other provinces as will be seen from the following table.

LIST OF DIRECT IMPORTERS OF BRITISH ANTHRACITE
IN OTHER PROVINCES AND THEIR SUPPLIERS

<u>Province</u>	<u>British Exporter</u>	<u>Agent or Importers</u>
<u>Nova Scotia</u>	Amalgamated	S. Cunard & Co. Ltd. Halifax
-do-	Pascoe	A. T. O'Leary & Co. Ltd. Halifax
-do-	Scotch Anthracite	S. Cunard & Co. Ltd. Halifax
<u>Prince Edward Island</u>	Amalgamated	S. Cunard & Co. Ltd. Halifax
-do-	Pascoe	A.T.O'Leary & Co. Ltd. Halifax
-do-	Scotch Anthracite	S. Cunard & Co. Ltd. Halifax
<u>New Brunswick</u>	Pascoe	A.T.O'Leary & Co. Ltd. Halifax
-do-	Scotch Anthracite	C. R. Nelson Co. Ltd. Saint John
<u>Ontario</u>	Amalgamated	Milnes Coal Co. Ltd. Toronto
-do-	Amalgamated	Elias Rogers Co. Ltd. Toronto
-do-	Amalgamated	F.P. Weaver Coal Co. Ltd. Toronto

BY THE CHAIRMAN: When you talk about coal being imported into the Montreal area, that area doesn't include Nova Scotia, I hope?

MR. AIRD: No, oh no, Montreal district, the area customarily served from Montreal docks.

Q Just what is the Montreal area? The city or ---?

A No, it would take, well, speaking off-hand a radius of probably 150 miles might be fair to suggest. In other words, coal is brought into Montreal and shipped from here to Ottawa, for instance, shipped to the Eastern Townships, shipped up to the north country.

Q Wherever you can get a sale?

A Yes sir, wherever it can reach competitively.

BY MR. FRAWLEY: In other words, it is only imported by people that are on tidewater? It is imported by Cunard and O'Leary in Nova Scotia and by yourself and Mongeau & Robert in Montreal?

A Yes.

Q When you speak of Milnes Coal Company and Elias Rogers in Toronto they are people ---?

A That coal is handled via Montreal, and Elias Rogers and Milnes and other Companies would make arrangements with a stevedoring company for transfer of their coal at Montreal into Lake boats. (Continues brief):

Section IV

GENERAL DESCRIPTION OF HOW

BRITISH COAL IS IMPORTED

at the risk of being elementary the mechanics of the overseas anthracite importing trade in Montreal may be described as follows:

The whole system is governed primarily by the physical conditions of the St. Lawrence River. Navigation on the St. Lawrence is restricted to seven months out of twelve, that is to say the river can only be used by ocean-going vessels during the period of May to November, which means that season after season a year's requirements of coal must be imported, discharged and stored at Montreal within seven months.

CONTRACTUAL ARRANGEMENTS

It is obvious therefore that where large volume is involved contractual arrangements must be made on both sides of the Atlantic well in advance of the opening of navigation - usually several months in advance.

BY THE CHAIRMAN: Just there, during the war were there any quantities of anthracite, Welsh or Scotch, brought

to Halifax by boat and then transshipped by train to the Montreal area?

A Not to Halifax, sir. There was some St. Lawrence tonnage moved via Portland, Maine, and via Saint John, N.B., but not from Halifax.

Q Did the railways receive subventions for bringing that coal into Montreal, wartime subventions?

A The importers were subsidized through Fuel Control.

BY MR. FRAWLEY: You mean by the Commodity Prices Stabilization Board?

A Yes. Of course our negotiations were entirely with Fuel Control. They in turn would make the other ---

BY THE CHAIRMAN: Were there large quantities?

A No. We could prepare a memorandum for you, sir, but the tonnage was not very heavy.

BY COMMISSIONER MORRISON: And subsidies per ton were substantial?

A I would say the maximum was \$2.50. It might run anywhere from \$1.75 to \$2.50.

Q Would you mind preparing a memorandum showing that picture?

A Yes.

BY MR. FRAWLEY: It was limited entirely to the coal that was used as consumer goods?

A Entirely.

Q Anything used industrially did not come under the subsidy?

A Not at all.

Q Was ocean freight a subject of subvention at all by the British Government on this Welsh coal coming into Canada?

A We are not in a position to say; we don't know.

Q The importer has no knowledge of that?

A Has no knowledge of it.

BY COMMISSIONER MORRISON: Are you suggesting that you don't know what the rates are?

A Oh no, I know what the rates are but whether they are subsidized or not I don't know.

Q Let's follow that. You know what they were before the war?

A Yes.

Q Have you been called upon to pay increased rates?

A No, not since 1939.

Q Insurance rates have gone up?

A We are paying additional insurance which is again taken care of by Fuel Control.

Q So there has been a subsidy as far as the transportation is concerned?

A Insofar as insurance is concerned, yes sir.

Q Well, you regard insurance cost as a transportation charge, do you not, in the regular order of business?

A Not necessarily, sir.

BY THE CHAIRMAN: Of course the Dominion Government has subsidized all ocean transportation facilities, and also to a certain extent where they are carrying essential goods.

BY MR. FRAWLEY: That is the same subsidy we were talking about a moment ago, but I am talking of something else. Going away back before the war there was a feeling, maybe just a rumor, that Welsh coal was able to come into Canada because the British Government subsidized the ocean carriage. Do you know anything about that, Mr. Aird?

A It is not my opinion that they did subsidize the ocean carrier but I am not in a position to answer your question definitely.

Q Have you heard during the years some such rumor as that?

A No. My opinion on that point is--I don't know what they have done since the war but up to the time of the war I don't believe that the British Government subsidized any freighting arrangements on British coal.

Q In other words, the Welsh producer was able to mine the coal, ship it into Montreal docks and compete against coal that came a few hundred miles from Pennsylvania?

A You are talking of transportation, sir. Are you going back and including a reference to the coal itself? If you are I

can't answer for the coal; that is as to whether the British Government in any way subsidized exports of anthracite coal I don't know.

Q In other words, while the transportation may have stood on its own feet and may have been the ordinary carrying operation, perhaps the export price was something which was somewhat fictitious because it was subsidized by the British Government?

A I am not in a position to answer that.

BY THE CHAIRMAN: I think there was some lessening between 1921 and 1924, which may have perhaps helped to make British anthracite competitive in this country. The ocean rates were decreased.

BY MR. FRAWLEY: Yes, a decrease for everybody. Was it decreased by providing a subsidy to look after the decrease?

BY THE CHAIRMAN: Oh yes, sure.

BY MR. FRAWLEY: But Mr. Aird, you just have no knowledge that the ocean transportation charge was the subject of subsidy, and you really don't know whether the export price was a price which had some subsidy on it?

MR. AIRD: No. (Continues brief):

These arrangements as between exporter and importer include (1) an agreement as to the quantities of the various sizes of anthracite that the importer estimates that he will require to be shipped during the season of navigation to cover his anticipated sales in the Montreal market during the whole of the summer and winter; (2) an agreement as to what that coal will cost when loaded into vessels at British port and (3) an agreement as to the probable cost of transporting that coal by steamer across the Atlantic.

QUESTION
OF SUPPLY

As to (1): while there is in normal times a sufficient overall supply of anthracite in Wales and Scotland to meet the Canadian demand that has been developed so far, it is sometimes difficult for the British producers to meet the demand for certain sizes that the Montreal market now requires - particularly the so called Bickwheat sizes used with forced draught equipment. Moreover the cities of London and Paris have in recent years become increasingly heavy users of Welsh and Scotch anthracite, thus adding greatly to the general demand.

However, with this increasing demand there has also developed a great increase in the export of Westphalian and Belgian anthracite. These European anthracites are freely offered to this market and they offset any possible shortage of the British product. Nevertheless it is essential from the exporter's point of view that shipments to the St. Lawrence must be worked out as far ahead as possible, and the St. Lawrence importer is likewise called upon to make corresponding commitments as to the purchase of his supplies. In other words there are nowadays few spot sales or purchases in this branch of trade; arrangements are practically all on the basis of a full season's supply.

PURCHASE
PRICES

As to (2). Prices of Welsh and Scotch coals are of course established in sterling, the currency of the exporting country. They are not necessarily the current market prices at the time of fixing although they are usually kept pretty close to current quotations because current prices are largely governed by cost of production; but obviously large tonnage contracts covering shipments over an extended period usually afford some price concession to the buyer because they are of advantage to the producer in stabilizing the marketing of his output.

The prices which the Montreal importer pays for British anthracite are prices f.o.b. vessel; that is to say prices which include the cost of the coal at the pithead, plus cost of rail transport from the pithead to the shipping port, plus the cost of loading the coal into the vessel.

CHARTERING
OF STEAMERS

As to (3). The cost of ocean transportation and the securing of steamers to carry out the transportation is a department of trade in itself, but it is a factor that must be dealt with by the importer and exporter as fully as possible before the commencement of each navigation season. The work of chartering the necessary steamers is usually done by the British exporter on behalf of the importer on this side, but the details of the charter parties are of the utmost importance to the importer because they not only determine the cost of ocean transportation but also have a direct bearing upon the cost of discharging at Montreal. Charter parties not only contract for the carrying of the coal at a given rate per ton, but also stipulate provisions as to when and in what time a cargo shall be loaded and in what given time a cargo shall be discharged on arrival. If the importer's storage facilities and discharging equipment are not able to handle a cargo on arrival within the terms of the charter party he is likely to run into heavy demurrage on the steamer, which means an additional item in the landed cost of the coal.

Wherever possible all parties concerned endeavor to charter sufficient vessels before the opening of navigation to carry all the coal that is contracted for. This has the advantage of establishing a predetermined cost as well as coverage in the event of shipping scarcity later on in the year. World shipping conditions of course fluctuate considerably from year to year and sometimes this future chartering is not always possible. The Canadian grain export trade however acts as a stabilizer so far as St. Lawrence chartering is concerned and has proved a great boon to coal importing just as the coal imports have assisted the movement of grain.

DISCHARGING
OF CARGOES

When the purchase and chartering arrangements are completed the next stage is to handle the various cargoes as they arrive. The coal has to be discharged by cranes and accumulated in various storage piles, according to the size of the coal, and then screened and resized and made available for distribution to the retail coal trade. This means that considerable

storage space must be available because provision must be made to have sufficient coal in stock at the close of navigation to meet the requirements of the importer's customers during all the winter months. Also a great deal depends upon the efficiency of the discharging equipment; because to a certain extent the more efficient the discharging the lower the cost, and discharging cost is an important factor in the handling of any coal. Besides the discharging facilities the importer must be equipped with machinery for re-sizing and screening of the anthracite before it is made available to the retail trade, which subject we shall discuss later.

CAPITAL
INVOLVED

From what has been stated above it is apparent that a substantial amount of capital is necessary for the operation of this branch of trade. The importation of large stocks within a given period requires in itself considerable financing, as payments are made monthly as cargoes arrive, in addition to which the machinery and equipment run into heavy capital expenditure. And as most of these purchases are arranged prospectively (which means that the importer is committed in advance for merchandise which he will not be able to market for sometimes a year or so later) the element of financial risk is not unimportant. Moreover the fluctuation in sterling currency is sometimes quite marked, and needless to say there is always a risk for the importer when he is dealing in a fluctuating exchange particularly when his importations are in large volume spread over a period long after he has made his commitment to buy.

CONTRAST WITH
AMERICAN
IMPORTATIONS

It may be of interest to contrast the factors stated above with the comparative simplicity attending the importation of American anthracite.

Pennsylvania anthracite can be shipped all rail from the mines to any terminal in this City or to any dealer's private siding. This means that in normal times a carload of 50 tons or less can be ordered from the mine by telephone and the car arrives in Montreal at the dealer's siding within a few days.

These car shipments can be stepped up in volume as and when local requirements are needed. If local demand in the summer months is slack it is not necessary for the importer to accumulate heavy supplies of American anthracite because when demand becomes brisk he can have American coal shipped in large quantities daily right through the fall and winter.

This system not only renders it unnecessary to accumulate high stocks but it also removed the necessity for heavy financing. Furthermore as American anthracite is fully sized and processed when it is loaded into the cars at the mines it does not require the same extensive amount of screening and re-sizing that is essential with the importation of British anthracite by ocean-going steamers.

Section V.

WHAT KINDS OF COAL ARE IMPORTED

As previously mentioned there are only two anthracite coalfields in Great Britain - the Welsh field and the Scottish field. It is apparent therefore that there are only two distinct kinds of British anthracite imported.

BRITISH OUTPUT

Of these two by far the larger quantity brought in to Canada during the last twenty years has been Welsh, mainly because the output of Welsh anthracite is greater than the output of Scotch and consequently a larger quantity of Welsh is available for export. During the five years immediately preceding the present war the production of Welsh anthracite amounted to approximately 6,000,000 gross tons per annum, whereas the Scottish output of anthracite per annum reached approximately 1,000,000 gross tons.

These output figures show a ratio as 6 to 1; but the ratio of importations has been much less, the comparison of imports being (so far as the Montreal trade is concerned) approximately 3 tons of Welsh to 1 of Scotch, which means that the Scottish producers exported a higher proportion of their output to the Montreal market than the Welsh producers exported of theirs.

Dealing with the Welsh importations first, the Welsh anthracite received by the Montreal trade is by this time fairly well known to the public at large. It is a very high grade domestic fuel, with an established reputation for quality which rests upon the fact that it is a coal which is exceptionally high in heat units, contains a very low percentage of ash and is yet slow burning and long lasting.

GRADES OF
WELSH COAL

There are a variety of mines from which this Welsh anthracite is produced, just as there are in Pennsylvania; but the two major classifications of Welsh are (a) Big Vein Anthracite and (b) Red Vein Anthracite. In chemical quality there is little or nothing to choose between Big Vein and Red Vein, but in physical structure the Big Vein is a little harder or tougher than Red Vein and consequently has a somewhat higher commercial value because (as we shall show later) the more brittle the anthracite the more expensive it is to handle, because the more it crumbles in handling the greater the wastage. Practically all Welsh importations into Montreal - certainly up to the outbreak of war - have been Big Vein and they have been guaranteed as such by the certificates that are issued by the exporter with every cargo that is shipped.

DOMESTIC
SIZES

The coal is received in various sizes, some of the sizes being determined by the variety of heating equipment that is used for central heating. They approximate to the sizes marketed by the American anthracite producers but are known in the British trade by different terms. They are first of all what are known as "domestic sizes", that is sizes of anthracite commonly used in standard type domestic heating equipment, such as the ordinary household furnace and the stoves used for the heating of flats - known in the Province of Quebec as "Quebec Heaters" - as well as the smaller stoves used for supplying hot water. The domestic sizes used in these various types of equipment include Cobbles, French Nuts, Stove nuts and Pea coal - the largest size named first. They approximate to the

sizes in American coal known as Egg, Stove, Nut and Pea.

BUCKWHEAT
SIZES

There are also what are known as Buckwheat sizes.

Buckwheat is a term used by the American operators and obviously indicates a size similar to natural buckwheat. In the Welsh industry these small sizes are classified as Peas & Grains, and in Montreal they are used in furnaces equipped with forced draught for the heating of larger buildings such as apartment houses, etc.

A good deal of the coal that is shipped from Wales is shipped in the sizes that we have just described, that is to say a goodly percentage of the coal is sized according to local requirements before it is shipped, but nevertheless after arrival on this side it has to be screened and re-sized again before it is made available to the trade, as we shall explain later.

LARGE
COAL

Bit in addition to the size classifications already

mentioned there is also a large volume of coal brought in that has not been sized at all, that is to say a certain amount is shipped in the form of large lumps and this coal is then passed through breaking and sizing machinery at Montreal instead of being broken and sized at the mine."

BY THE CHAIRMAN - Didn't you speak at the beginning of this brief of some change in the screening of that coal on this side?

A. No sir, it still continues at the original plant, it is still in operation.

Q. Did it not have something to do with the \$800,000 loss?

A. During the first six years the trading was unprofitable.

But that same plant is still in existence and still handles large coal and brings it down to sizing.

Q. And screens it?

A. Yes.; and there are other plants in existence that re-screen the partially prepared coal that comes over, the cobble, egg, stove and nut; that must all be processed after it is discharged.

MR. AIRD continues brief

"As to Scotch anthracite, what has been stated in regard to Welsh importations applies equally to the importations from Scotland. Scotch anthracite has an established reputation as a very high grade fuel, low in ash content and high in B.T.U. value and is possibly a little harder in structure than the Welsh. It is produced from a variety of mines but there is no classification such as the Big Vein and Red Vein of Welsh.

SCOTCH SIZES

The size classifications of Scotch are much the same as the Welsh and American, but the Scottish terms are somewhat different. The domestic sizes (used exactly as described for the Welsh) are known as Cobbles, Trebles, Doubles and Singles, the largest named first, and they approximate to the American sizes of Egg, Stove, Nut and Pea. The Buckwheat sizes used for forced draught equipment are known as Beans & Grains, but are marketed locally as Buckwheats. There is no large unbroken coal imported from Scotland.

From a technical point of view it may be of some interest to give some representative chemical analysis of the average grades of Welsh and Scotch anthracite that are imported by this section of the Montreal trade. The figures shown in the following table represent tests made from 68 samples of Welsh anthracite and 114 samples of Scotch anthracite.

TABLE I
SHOWING REPRESENTATIVE ANALYSIS OF
BRITISH ANTHRACITE IMPORTED INTO MONTREAL

(Figures given are on Dry Basis)

	<u>Domestic sizes</u>		<u>Buckwheat sizes</u>	
Volatile	8.3	6.8	8.6	7.6
Carbon	88.1	87.7	86.3	85.4
Ash	3.6	5.3	5.0	7.1
Sulphur	0.9	0.8	0.9	0.8
B.T.U's	14,935	14,275	14,750	14,010

BY MR. FRAWLEY - In that Table what is the explanation of the two columns for the Domestic sizes and two columns for the Buckwheat sizes? Volatile is 8.3 in one column and 6.8 in the other column. What is that?

A. May I reply to that question this afternoon. I think I know what it is, but I would just like to be correct in my answer.

Mr. Aird continues brief.

Section VI

WHAT IS DONE WITH THE COAL AFTER IT IS DISCHARGED FROM THE STEAMERS

Once the coal is actually discharged and placed into storage piles the importer's next job is to prepare and process that coal so that it will be put into a condition acceptable to the consumer, which means that the large lump anthracite has to be sized and screened, and the sized coals have to be re-sized and re-screened. This is one of the most vital factors in the anthracite importation business because it involves a substantial percentage of additional cost over and above the invoice price that the importer pays to the exporter.

The reason why anthracite which has already been sized and screened at the mines has to be re-sized and re-screened in Montreal is because British anthracite is comparatively soft in structure and crushes very considerably when it is being loaded into vessels and also when being discharged at this end, in addition to which there is the squeeze and crushing that takes place in every cargo of coal during long ocean transit due to the movement of the vessel in heavy seas.

For example, 100 tons of domestic sizes, shipped from Wales as such and paid for as such, will actually produce not more than 65 to 70 tons of domestic sized coal when re-screened at Montreal, because 30 to 35 tons will consist of coal which in transit and in the process of loading and discharging has been crushed into small pieces and is marketable only as buckwheat and screenings.

QUESTION OF
DEGRADATION

This crushing and breakage is referred to technically as "degradation" - that is to say the coal is degraded from one size to a lesser size, and generally speaking the smaller the size the less selling value it possesses.

Anthracite that is imported "unsized" of course suffers even greater degradation, because this coal, which comes in large lumps, has to be passed through a breaker and processed just the same as it would be processed at any anthracite mine. 100 tons of this large lump coal will produce not more than 55 to 60 tons of screened domestic sizes because, owing to the degradation which takes place in the shipment of the coal plus the degradation caused by the breaker processing, the remaining 40 to 45 tons will have broken down to small pea size, buckwheats and fine screenings.

All this means, as previously stated, that the importer has to be equipped with adequate machinery to "prepare" the coal which he imports before he can make it available to the retail trade so that it can be sold and delivered to the public in proper condition. This applies even to some of the imported buckwheat, because the fines have to be extracted even from the small sizes in order to put buckwheat on the market in the condition required by the consumer."

BY THE CHAIRMAN - I suppose that necessitates some loss of the coal?

A. A stepping down from buckwheat fuel to screenings.

Q. Some of the imported buckwheat, if you undertake to clean that coal or do something with it here in your plants, do you lose some of the actual coal in the process?

A. Yes.

Q. Something that cannot be marketed?

A. It is stepped down from buckwheat size to a screening grade.

Q. But is it all marketable?

A. Yes, it is all marketable now.

MR. AIRD continues brief."PROCESSING
FACILITIES

All the British importers in Montreal have developed modern facilities for this purpose, some of which are quite extensive. The British Coal Corporation operates a large plant at Vulcan Dock and have also a modern screening and re-sizing plant at Bickerdike Pier. The Scotch Anthracite Company also have extensive facilities at their own storage premises at Sections 56, 57 and 58; while Mongeau & Robert Cie. Ltee. are also equipped with adequate facilities at Sections 33, 34 and 35.

Again it should be noted that there is a vast difference between the processing work that is essential with imported British anthracite (and its consequential cost per ton) and the relatively negligible amount of processing that is required of American anthracite arriving in the City by rail. Incidentally it might be noted that American anthracite is a very hard structure coal in comparison with Welsh or Scotch and disintegrates very little.

Section VIIHOW THE COAL IS MADE AVAILABLE BY THE
IMPORTERS TO THE RETAIL COAL DEALERS.

The greater part of the British anthracite brought into Montreal by the importing companies has always been sold to the public through the medium of the retail coal dealers; just as American anthracite is also distributed by the retail dealers. It is true that a certain amount of Welsh and Scotch has been sold direct to the consumer by some of the importers in the same way as some importers of American anthracite have also sold some American anthracite direct to the consumer, but nevertheless by far the greater quantity is marketed through the retail trade.

ALL DEALERS
CANVASSED

Therefore every importing company of British anthracite not only makes its stocks fully available to all licensed retail coal merchants, at publicly announced list prices, but every importer also actively and aggressively

canvasses the retail dealers for patronage.

SUPPLY
UNRESTRICTED

In normal times all the importer's premises are stocked almost to overflowing with all the sizes of British anthracite that are marketable, and the importers compete with each other for the retailers' custom. All retail dealers can draw freely from any importer's stocks and there are no restrictions whatsoever, except of course credit consideration. At what price the retailer sells the coal to the consumer is of no direct concern to the importer. All that the importer does in regard to price is to announce his wholesale prices to the trade on an ex Dock basis. In consequence of this freedom of supply almost all dealers draw supplies in varying quantities from all the importers.

FACILITIES
FOR LOADING

In competing for the retailers' custom the importers have each installed loading facilities so that the merchants' delivery trucks can be loaded with the greatest dispatch. As has already been explained, the coal is "prepared" for the dealer, and all he has to do is to send his trucks to the importer's dock premises to lift whatever quantity or size that he requires."

BY THE CHAIRMAN - Does the retailer fix the price to the consumer?

A. The retailers make their own prices.

BY COMMISSIONER MORRISON - To what extent is sacking carried on?

A. Becoming very general, I would say getting up to 75% and still increasing. That is the domestic coal, Sir.

BY MR. FRAWLEY - You say the retail trade fixes the price to the consumer. The Importer has nothing to do with that at all?

A. Not at all. The individual retailer makes his own price.

Q. Is it just a margin over and above what the importer charges the retailer?

A. Yes.

Q. And that is pretty limited in the Montreal market, I take it?

A. Yes.

Q. Is it approximately \$3.00?

A. Approximately.

Mr. Aird continues brief

"Retail dealers outside the City, and also some dealers within the City, take their supplies in carload lots and these supplies are loaded into cars by the importer at his dock premises and consigned to the dealer's yard wherever it may be. Large quantities are moved in this manner to dealers throughout the Province of Quebec and also to dealers in Eastern Ontario.

Section VIIIHOW THE COAL IS DISTRIBUTED BY
THE RETAIL TRADE TO THE PUBLIC

There are between 300 and 400 licensed retail coal dealers in the City of Montreal and it is this section of the trade that sells and delivers practically all of the imported anthracite to the consuming public.

The retailers establish their own delivered prices which most of them advertise to the public by circularizing price lists at the commencement of each coal season.

Generally speaking, so far as British anthracite is concerned, the retailer's problem is almost exclusively that of selling and delivering, because in effect his supplies are really maintained for him by the importer. As the retailer builds up his sales he can draw on those supplies as and when deliveries are required by his customers. When delivery is required he sends his trucks to the importer's dock, lifts the necessary coal, and delivers it direct to the customer's bin.

This has naturally resulted in a considerable saving to the retail trade in the maintenance of coal yards and yard labour, and it has also assisted in maintaining a more or less uniform standard of preparation as it obviates re-handling and any necessity for re-screening on the part of the dealer.

In Montreal a coal season commences on 1st May and ends on 30th April. Deliveries of new coal are usually quite strong in May and June owing to prices being at their lowest level at that time of the year in order to stimulate early movement of coal.

There is generally a falling off in July and August, stepping up in the fall and continuing steadily throughout the winter."

BY MR. FRAWLEY - Dealing with Section VIII for a moment. Do I take it from this that the large retailers in Montreal maintain no yards wherein United Kingdom anthracite is stored?

A. Not to any extent, Sir.

Q. Take a Company like Vipond-Tolhurst, they buy ^{their anthracite} from you I suppose?

A. Not from us.

Q. From either Import or Weaver?

A. Yes. They would at times perhaps carry a limited quantity in their own yard as a reserve, but generally speaking from the coal chutes at the dock direct to the consumer.

Q. That would go for all dealers, large and small?

A. Yes.

BY COMMISSIONER MORRISON - This coal first passes through the hands of the importer, then does it go through a wholesaler before it reaches the retailer?

A. No. Speaking of the British Coal Corporation, the coal comes through British Coal Corporation and they distribute that coal to the dealer trade through its two sales agencies, viz: Import and Weaver.

BY MR. FRAWLEY - Mr. Morrison, if it will help you, I have a lot of questions for Mr. Aird after he finished reading his brief and I am going to try and cover all these things.

Mr. Aird continues brief.

"Section IX

WHAT THE RETAIL DEALER PAYS FOR BRITISH ANTHRACITE

As we have already explained, British anthracite is sold to the consumer through the medium of the retail dealer; that is to say the importing companies import the coal, handle and prepare it, and make it available to the retail dealer, who in turn sells and delivers it to the consumer.

At the commencement of each season, therefore, with the opening of navigation (usually in the latter half of April or early in May) all the importing companies publish wholesale price lists indicating the opening prices at which they are prepared to make available their various sizes of anthracite to the retail trade.

The term "opening prices" means the prices effective at the opening of each coal season, which coincides approximately with the opening of navigation.

Wholesale prices are of course determined solely by the cost at which British anthracite can be imported, discharged, stored and prepared by the importers; but in order to stimulate movement of coal as early as possible in the spring and summer months the importing companies usually declare wholesale prices on a graduating scale, making their opening prices the lowest for the season, with graduating increases from time to time up to the fall and early winter months.

The following Tables review the various prices at which British Anthracite was made available to the retail trade by Montreal importing companies during the five calendar years immediately prior to the war. Table No. 2 consists of prices taken from the British Coal Corporation's price lists as published by the Canadian Import Co. Ltd. and F.P. Weaver Coal Co. Ltd.; while Table No. 3 shows the wholesale prices on Scotch anthracite as published by the Scotch Anthracite Coal Co. Ltd.

TABLE 2

SHOWING WHOLESALE PRICES OF WELSH ANTHRACITE,
EX DOCK MONTREAL, AS PUBLISHED TO THE TRADE
FROM TIME TO TIME BY WELSH ANTHRACITE
IMPORTING COMPANIES DURING FIVE CALENDAR YEARS
1935, 1936, 1937, 1938, 1939.

<u>1935</u>	<u>Cobbles and Stove Nuts</u>	<u>French Nuts</u>	<u>Poa</u>	<u>Buck No.1</u>	<u>Buck No.2</u>
January	\$12.25	\$12.50	\$9.80	\$8.30	\$7.65
February	12.25	12.50	9.80	8.30	7.65
March	12.25	12.50	9.80	8.30	7.65
April 1st to 14th	12.25	12.50	9.80	8.30	7.65
" 15th to 30th	10.25	10.50	9.05	8.40	7.75
May 1st to 14th	10.25	10.50	9.05	8.40	7.75
" 15th to 31st	10.50	10.75	9.30	8.40	7.75
June	10.75	11.00	9.55	8.40	7.75
July	10.75	11.00	9.55	8.40	7.75
August	10.75	11.00	9.55	8.40	7.75
September	11.25	11.50	10.05	8.40	7.75
October	11.25	11.50	10.05	8.40	7.75
November	11.25	11.50	10.05	8.40	7.75
December	11.25	11.50	10.05	8.40	7.75
<u>1936</u>					
January	11.25	11.50	10.05	8.40	7.75
February	11.25	11.50	10.05	8.40	7.75
March	11.25	11.50	10.05	8.40	7.75
April 1st to 24th	11.25	11.50	10.05	8.40	7.75
" 25th to 30th	10.25	10.50	9.05	8.65	8.00
May	10.00	10.25	8.80	8.05	7.40
June	10.00	10.25	8.80	8.05	7.40
July	10.00	10.25	8.80	8.05	7.40
August	10.00	10.25	8.80	8.05	7.40
Sept. 1st to 20th	10.00	10.25	8.80	8.05	7.40
" 21st to 30th	10.25	10.50	9.05	8.05	7.40
October	10.25	10.50	9.05	8.05	7.40
November	10.25	10.50	9.05	8.05	7.40
December	10.25	10.50	9.05	8.05	7.40
<u>1937</u>					
January	10.25	10.50	9.05	8.05	7.40
February	10.25	10.50	9.05	8.05	7.40
March	10.25	10.50	9.05	8.05	7.40
April 1st to 20th	10.25	10.50	9.05	8.05	7.40
" 21st to 30th	10.25	10.50	9.05	8.50	7.50
May	10.25	10.50	9.05	8.50	7.50
June	10.50	10.75	9.30	8.50	7.50
July	10.75	11.00	9.55	8.50	7.50
August	11.00	11.25	9.80	8.50	7.50
September	11.25	11.50	10.05	8.50	7.50
October	11.50	11.75	10.30	8.50	7.50
November	11.50	11.75	10.30	8.50	7.50
December	11.50	11.75	10.30	8.50	7.50

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Harry Aird

<u>Year</u>	<u>Cobbles and Stove Nuts</u>	<u>French Nuts</u>	<u>Pea</u>	<u>Buck No.1</u>	<u>Buck No. 2</u>
1938					
January	\$11.50	\$11.75	\$10.30	\$8.50	\$7.50
Feb. 1st to 15th	11.50	11.75	10.30	8.50	7.50
" 16th to 28th	10.25	10.50	10.30	8.50	7.50
March	10.25	10.50	10.30	8.50	7.50
April 1st to 19th	10.25	10.50	10.30	8.50	7.50
" 20th to 30th	10.85	11.10	9.80	9.25	8.25
May	10.85	11.10	9.80	9.25	8.25
June	11.10	11.35	10.05	9.25	8.25
July	11.35	11.60	10.30	9.25	8.25
August	11.60	11.85	10.55	9.25	8.25
September	11.85	12.10	10.80	9.25	8.25
October	12.10	12.35	11.05	9.25	8.25
November	12.10	12.35	11.05	9.25	8.25
December	12.10	12.35	11.05	9.25	8.25

1939

January	12.10	12.35	11.05	9.25	8.25
February	12.10	12.35	11.05	9.25	8.25
March	12.10	12.35	11.05	9.25	8.25
April 1st to 23rd	12.10	12.35	11.05	9.25	8.25
" 24th to 30th	10.60	10.85	9.55	9.25	8.25
May	10.60	10.85	9.55	9.25	8.25
June	10.85	11.10	9.80	9.25	8.25
July	11.10	11.35	10.05	9.25	8.25
August	11.10	11.35	10.05	9.25	8.25
Sept. 1st to 10th	11.10	11.35	10.05	9.25	8.25
" 11th to 30th	11.60	11.85	10.55	9.25	8.25
October	12.10	12.35	11.05	9.75	8.75
November	12.10	12.35	11.05	9.75	8.75
December	12.10	12.35	11.05	9.75	8.75

TABLE 3

SHOWING WHOLESALE PRICES OF SCOTCH ANTHRACITE,
EX DOCK MONTREAL, AS PUBLISHED TO THE TRADE,
FROM TIME TO TIME BY THE SCOTCH ANTHRACITE COAL CO.
LTD. DURING FIVE CALENDAR YEARS
1935, 1936, 1937, 1938, 1939.

<u>1935</u>	<u>Cobbles and Chestnut</u>	<u>Domestic</u>	<u>Buck. No. 1</u>	<u>Beans</u>
January	\$12.25	\$12.50	\$8.30	\$6.90
February	12.25	12.50	8.40	6.90
March	12.25	12.50	8.40	6.90
April 1st to 14th	12.25	12.50	8.40	6.90
" 15th to 30th	10.25	10.50	8.40	7.40
May 1st to 14th	10.25	10.50	8.40	7.40
" 15th to 31st	10.50	10.75	8.40	7.40
June	10.75	11.00	8.40	7.40
July	10.75	11.00	8.40	7.40
August	10.75	11.00	8.40	7.40
September	11.25	11.50	8.40	7.40
October	;;.25	11.50	8.40	7.40
November	11.25	11.50	8.40	7.40
December	11.25	11.50	8.40	7.40
<u>1936</u>				
January	11.25	11.50	8.40	7.40
February	11.25	11.50	8.40	7.40
March	11.25	11.50	8.40	7.40
April	11.25	11.50	8.40	7.40
May	10.25	10.50	8.65	7.40
June	10.50	10.75	8.65	7.40
July	10.00	10.25	8.05	6.80
August	10.00	10.25	8.05	6.80
September	10.00	10.25	8.05	6.80
October	10.25	10.50	8.05	6.80
November	10.25	10.50	8.05	6.80
December	10.25	10.50	8.05	6.80
<u>1937</u>				
January	10.25	10.50	8.05	6.80
February	10.25	10.50	8.05	6.80
March	10.25	10.50	8.05	6.80
April	10.25	10.50	8.05	6.80
May	10.25	10.50	8.50	6.80
June	10.50	10.75	8.50	6.80
July	10.75	11.00	8.50	6.80
August	11.00	11.25	8.50	6.80
September	11.25	11.50	8.50	6.80
October	11.50	11.75	8.50	6.80
November	11.50	11.75	8.50	6.80
December	11.50	11.75	8.50	6.80

<u>1938</u>	<u>Cobbles and Chestnut</u>	<u>Domestic</u>	<u>Buck. No.1</u>	<u>Beans</u>
January	\$11.50	\$11.75	\$8.50	\$6.80
February	11.50	11.75	8.50	6.80
March	10.25	10.50	8.50	6.80
April 1st to 18th	10.25	10.50	8.50	6.80
" 19th to 30th	10.85	11.10	9.25	8.25
May	10.85	11.10	9.25	8.25
June	11.10	11.35	9.25	8.25
July	11.35	11.60	9.25	8.25
August	11.60	11.85	9.25	8.25
September	11.85	12.10	9.25	8.25
October	12.10	12.35	9.25	8.25
November	12.10	12.35	9.25	8.25
December	12.10	12.35	9.25	8.35

1939

January	12.10	12.35	9.25	8.25
February	12.10	12.35	9.25	8.25
March	12.10	12.35	9.25	8.25
April	12.10	12.35	9.25	8.25
May	10.60	10.85	9.25	8.25
June	10.85	11.10	9.25	8.25
July	11.10	11.35	9.25	8.25
August	11.10	11.35	9.25	8.25
September	11.60	11.85	9.25	8.25
October	12.10	12.35	9.75	8.75
November	12.10	12.35	9.75	8.75
December	12.10	12.35	9.75	8.75

Section X

WHAT THE CONSUMER
PAYS FOR BRITISH ANTHRACITE

The following Tables present a review of the retail prices at which British Anthracite has been sold to the public in Montreal during five calendar years prior to the war. Retail prices are the prices which the consumer pays for coal delivered and placed in his premises ready for use; and by "premises" is meant private dwellings, apartment houses, office buildings, stores, warehouses, etc.

The prices given in Table No. 4 are the retail prices of Welsh Anthracite taken from the published price lists of some of the leading Montreal retail companies, and the prices shown in Table No. 5 are the retail prices of Scotch Anthracite as published by the Scotch Anthracite Coal Co. Ltd.

It should be mentioned however that the figures listed in the following Tables represent only the maximum prices paid by the consumer at any particular time during the period

under review. As we shall discuss later (see Section XIII) a large percentage of the British Anthracite actually sold in Montreal during this period was delivered to the consumer at prices varying from 25¢ to \$1.00 per ton less than the prices shown in the Tables.

It should also be noted that the "Buckwheat" columns show two sets of prices Domestic and Commercial. By "Domestic" is meant Buckwheat sold for consumption in private homes, which is usually in small quantities; whereas by "Commercial" is meant Buckwheat sold for consumption in apartment houses, office buildings, etc., and usually in fairly large volume.

TABLE 4

SHOWING RETAIL PRICES OF WELSH ANTHRACITE AS
PUBLISHED BY LEADING MONTREAL RETAIL DEALERS
DURING FIVE CALENDAR YEARS
1935, 1936, 1937, 1938, 1939.

	Cobbles and Stove Nuts	French Nuts	Poa	Buckwheat No. 1		Buckwheat No. 2	
				Domestic	Commercial	Domestic	Comm'L
<u>1935</u>							
January	\$15.25	\$15.50	\$12.75	\$10.25	\$10.25	\$9.65	\$9.65
February	15.25	15.50	12.75	10.25	10.25	9.65	9.65
March	15.25	15.50	12.75	10.25	10.25	9.65	9.65
April	15.25	15.50	12.75	10.25	10.25	9.65	9.65
May	13.00	13.25	12.00	10.25	10.25	9.65	9.65
June	13.00	13.25	12.00	10.25	10.25	9.65	9.65
July	13.50	13.75	12.50	10.25	10.25	9.65	9.65
August	13.50	13.75	12.50	10.25	10.25	9.65	9.65
September	14.00	14.25	13.00	10.25	9.50	9.65	9.00
October	14.00	14.25	13.00	10.25	9.50	9.65	9.00
November	14.00	14.25	13.00	10.25	9.50	9.65	9.00
December	14.00	14.25	13.00	10.25	9.50	9.65	9.00
<u>1936</u>							
January	14.00	14.25	13.00	10.25	9.50	9.65	9.00
February	14.00	14.25	13.00	10.25	9.50	9.65	9.00
March	14.00	14.25	13.00	10.25	9.50	9.65	9.00
April	14.00	14.25	13.00	10.25	9.50	9.65	9.00
May	13.25	13.50	12.25	10.50	10.25	10.00	9.50
June	13.25	13.50	12.25	10.50	10.25	10.00	9.50
July	13.75	14.00	12.75	10.50	10.25	10.00	9.50
August	13.75	14.00	12.75	10.50	10.25	10.00	9.50
September	14.25	14.50	13.25	10.50	10.25	10.00	9.50
October	14.25	14.50	13.25	10.50	10.25	10.00	9.50
November	14.25	14.50	13.25	10.50	10.25	10.00	9.50
December	14.25	14.50	13.25	10.50	10.25	10.00	9.50

Cobbles
and
Stove
NutsFrench
Nuts

Pea

Buckwheat No.1
Domestic CommercialBuckwheat No. 2
Domestic Commer'l1937

January	\$14.25	\$14.50	\$13.25	\$10.50	\$10.25	\$10.00	\$9.50
February	14.25	14.50	13.25	10.50	10.25	10.00	9.50
March	14.25	14.50	13.25	10.50	10.25	10.00	9.50
April	14.25	14.50	13.25	10.50	10.25	10.00	9.50
May	13.50	13.75	12.50	10.50	10.25	10.00	9.50
June	13.50	13.75	12.50	10.50	10.00	9.50	9.00
July	14.00	14.25	13.00	10.50	10.00	9.50	9.00
August	14.00	14.25	13.00	10.50	10.00	9.50	9.00
September				10.50	10.00	9.50	9.00
1st to 15	14.00	14.25	13.00	10.50	10.00	9.50	9.00
September							
16 to 30	14.50	14.75	13.50	10.50	10.00	9.50	9.00
October	14.50	14.75	13.50	10.50	10.00	9.50	9.00
November	14.50	14.75	13.50	10.50	10.00	9.50	9.00
December	14.50	14.75	13.50	10.50	10.00	9.50	9.00

1938

January	14.50	14.75	13.50	10.50	10.00	9.50	9.00
February	14.50	14.75	13.50	10.50	10.00	9.50	9.00
March	14.50	14.75	13.50	10.50	10.00	9.50	9.00
April	14.50	14.75	13.50	10.50	10.00	9.50	9.00
May	14.25	14.50	13.25	11.25	10.75	10.25	9.75
June	14.25	14.50	13.25	11.25	10.75	10.25	9.75
July	14.75	15.00	13.75	11.25	10.75	10.25	9.75
August	14.75	15.00	13.75	11.25	10.75	10.25	9.75
September	15.25	15.50	14.25	11.25	10.75	10.25	9.75
October	15.25	15.50	14.25	11.25	10.75	10.25	9.75
November	15.25	15.50	14.25	11.25	10.75	10.25	9.75
December	15.25	15.50	14.25	11.25	10.75	10.25	9.75

1939

January	15.25	15.50	14.25	11.25	10.75	10.25	9.75
February	15.25	15.50	14.25	11.25	10.75	10.25	9.75
March	15.25	15.50	14.25	11.25	10.75	10.25	9.75
April	15.25	15.50	14.25	11.25	10.75	10.25	9.75
May	14.00	14.25	13.00	11.25	10.75	10.25	9.75
June	14.00	14.25	13.00	11.25	10.75	10.25	9.75
July	14.50	14.75	13.50	11.25	10.75	10.25	9.75
August	14.50	14.75	13.50	11.25	10.75	10.25	9.75
September				11.25	10.75	10.25	9.75
1 to 10	14.50	14.75	13.50	11.25	10.75	10.25	9.75
September							
11 to 30	15.00	15.25	14.00	11.25	10.75	10.25	9.75
October	15.50	15.75	14.50	11.75	11.25	10.75	10.25
November	15.50	15.75	14.50	11.75	11.25	10.75	10.25
December	15.50	15.75	14.50	11.75	11.25	10.75	10.25

TABLE 5

SHOWING RETAIL PRICES OF SCOTCH ANTHRACITE AS
PUBLISHED BY THE SCOTCH ANTHRACITE COAL CO. LTD.
AND LEADING MONTREAL RETAIL DEALERS
DURING FIVE CALENDAR YEARS
1935, 1936, 1937, 1938, 1939

1935	Cobbles and Chestnut	Domestic	Pea	Buckwheat No. 1		Beans	
				Domestic	Commercial	Domestic	Commer'l.
January	\$15.25	\$15.50	\$12.75	\$10.25	\$10.25	\$8.80	\$8.80
February	15.25	15.50	12.75	10.25	10.25	8.80	8.80
March	15.25	15.50	12.75	10.25	10.25	8.80	8.80
April	15.25	15.50	12.75	10.25	10.25	8.80	8.80
May	13.00	13.25	12.00	9.50	9.50	8.65	8.65
June	13.00	13.25	12.00	9.50	9.50	8.65	8.65
July	13.50	13.75	12.50	10.25	9.50	9.25	8.65
August	13.50	13.75	12.50	10.25	9.50	9.25	8.65
September	14.00	14.25	13.00	10.25	9.50	9.25	8.65
October	14.00	14.25	13.00	10.25	9.00	9.25	8.65
November	14.00	14.25	13.00	10.25	9.50	9.25	8.65
December	14.00	14.25	13.00	10.25	9.50	9.25	8.65
1936							
January	14.00	14.25	13.00	10.25	9.50	9.25	8.65
February	14.00	14.25	13.00	10.25	9.50	9.25	8.65
March	14.00	14.25	13.00	10.25	9.50	9.25	8.65
April	14.00	14.25	13.00	10.25	9.50	9.25	8.65
May	13.25	13.50	12.25	10.50	10.25	9.40	8.90
June	13.25	13.50	12.25	10.50	10.25	9.40	8.90
July	13.75	14.00	12.75	10.50	10.25	9.40	8.90
August	13.25	13.50	12.25	10.50	10.25	9.40	8.90
September	13.25	13.50	12.25	10.50	10.25	9.40	8.90
October	13.25	13.50	12.25	10.50	10.25	9.40	8.90
November	13.25	13.50	12.25	10.50	10.25	9.40	8.90
December	13.25	13.50	12.25	10.50	10.25	9.40	8.90
1937							
January	13.25	13.50	12.25	10.50	10.25	9.40	8.90
February	13.25	13.50	12.25	10.50	10.25	9.40	8.90
March	13.25	13.50	12.25	10.50	10.25	9.40	8.90
April	13.25	13.50	12.25	10.50	10.25	9.40	8.90
May	13.50	13.75	12.50	10.50	10.00	8.80	8.30
June	13.50	13.75	12.50	10.50	10.00	8.80	8.30
July	14.00	14.25	13.00	10.50	10.00	8.80	8.30
August	14.00	14.25	13.00	10.50	10.00	8.80	8.30
September	14.50	14.75	13.50	10.50	10.00	8.80	8.30
October	14.50	14.75	13.50	10.50	10.00	8.80	8.30
November	14.50	14.75	13.50	10.50	10.00	8.80	8.30
December	14.50	14.75	13.50	10.50	10.00	8.80	8.30

	Cobbles and Chestnut		Domestic	Pea	Buckwheat No. 1 Domestic Commer'l		Beans Domestic Commer'l	
<u>1938</u>								
January	\$14.50	\$14.75	\$14.75	\$13.50	\$10.50	\$10.00	\$8.80	\$8.30
February	14.50	14.75	14.75	13.50	10.50	10.00	8.80	8.30
March	14.50	14.75	14.75	13.50	10.50	10.00	8.80	8.30
April	14.50	14.75	14.75	13.50	10.50	10.00	8.80	8.30
May	14.25	14.50	14.50	13.25	11.25	10.75	10.25	9.75
June	14.25	14.50	14.50	13.25	11.25	10.75	10.25	9.75
July	14.75	15.00	15.00	13.75	11.25	10.75	10.25	9.75
August	14.75	15.00	15.00	13.75	11.25	10.75	10.25	9.75
September	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75
October	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75
November	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75
December	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75

<u>1939</u>												
January	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75				
February	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75				
March	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75				
April	15.25	15.50	15.50	14.25	11.25	10.75	10.25	9.75				
May	14.00	14.25	14.25	13.00	11.25	10.75	10.25	9.75				
June	14.00	14.25	14.25	13.00	11.25	10.75	10.25	9.75				
July	14.00	14.25	14.25	13.00	11.25	10.75	10.25	9.75				
August	14.00	14.25	14.25	13.00	11.25	10.75	10.25	9.75				
September	14.75	14.75	14.75	13.50	11.75	11.25	10.75	10.25				
October	15.25	15.25	15.25	14.00	11.75	11.25	10.75	10.25				
November	15.25	15.25	15.25	14.00	11.75	11.25	10.75	10.25				
December	15.25	15.25	15.25	14.00	11.75	11.25	10.75	10.25				

Section XI

HOW BRITISH ANTHRACITE TRADE
HAS DEVELOPED IN CANADA

Prior to World War 1 Canada's consumption of British Anthracite was in very small volume. The highest it ever reached in those days was 38,991 tons in 1910. During the war it dropped as low as 1,049 tons, and in 1920 and 1921 importations of British coal ceased entirely.

Resumption of this trade took place in 1922. It was resumed on a much larger scale than had been attempted prior to the war (for reasons already discussed on page 2), and its subsequent development from 1922 up to the outbreak of World War 2 in 1939 was an achievement of outstanding importance, as will be seen from the following statistics.

TABLE 6.

SHOWING IMPORTATIONS OF BRITISH
ANTHRACITE INTO EASTERN CANADA
DURING 18 YEARS FROM 1922 TO 1939.

<u>Calendar Year</u>	<u>Tons</u>
1922	179,708
1923	261,659
1924	275,277
1925	549,247
1926	272,170
1927	788,235
1928	526,467
1929	729,458
1930	996,127
1931	876,364
1932	1,399,086
1933	1,605,776
1934	1,643,516
1935	1,454,521
1936	1,333,602
1937	1,134,855
1938	1,199,131
1939	<u>1,034,901</u>

Section XIITHE BENEFITS DERIVED BY THE CANADIAN PUBLIC
AS A RESULT OF THIS DEVELOPMENT

The figures given in the table quoted above have implications which go beyond the mere question of tonnage. There has been not only a remarkable growth of trade but as a result of this development the Canadian public have secured certain definite advantages; and the importing organizations are we think entitled to some credit for having achieved such a development and for the results which such activity has gained.

ALTERNATIVE
SUPPLY

In the first place, Eastern Canada, in regard to a very essential domestic fuel has now been placed in the position of having a substantial additional source of supply. The value of this alternative supply may not have been so apparent during the last ten years when the importations of British coal had become established with seasonal regularity and the supply greater than the demand. But its importance was quite obvious in 1922 when we were dependent solely upon Pennsylvania, and its importance has again become significant at the present moment when (owing to the war) we are once more almost entirely dependent upon the friendly disposition of the American operators and of the American Government in keeping this market supplied with a quota of their Pennsylvania production."

BY THE CHAIRMAN - Are you giving us anything on the probabilities of future supplies from Great Britain?

A. There are notes on that, Sir.

Mr. Aird continues brief"HIGHER GRADE
FUEL

Secondly, in developing this British anthracite trade Canada has been provided with an essential fuel of a higher grade than is obtainable from the United States, because while in no way intending to disparage American anthracite it must be conceded that the British fuel is much superior in quality and it is preferred as such by the Canadian consumers."

BY MR. FRAWLEY - Just going back to the first paragraph on page 41, when speaking of the friendly disposition of the American operators. You are not suggesting that these Pennsylvania anthracite producers are sending this quota because they are friendly?

A. I would almost go that far. I think the established companies in the United States wish to continue their Canadian connections and keep the Canadian trade supplied, and it is true Governmental agencies have entered into the question of supply since and arrangements are made as between Ottawa and Washington, but the

American anthracite operators, or the American anthracite industry have treated Canada in a marvelous way throughout this war period.

Q. I was not thinking so much about the war period, but I suggest to you that it is sold over here because it is a hard-headed business proposition?

A. That is quite right.

Q. And the United States Pennsylvania anthracite operator definitely plans for his Canadian market just as much as for his American market?

A. Yes.

Q. And he regards it as a domestic market and not as an export market in the course of his business?

A. I think that is also right.

Q. We have had submitted in briefs to this Commission that there is enough American anthracite to last 150 years. So it is just an ordinary hard-headed business proposition selling it in this area?

A. American anthracite producers are competing for Canadian trade.

BY COMMISSIONER MORRISON - And a profitable business, I am suggesting.

A. Probably it would not be continued if it were not.

Mr. Aird continues brief

"EMPIRE TRADING Thirdly - and while this consideration may not have any relation to the interests of the individual buyer of fuel, it has a direct relation to national interests as a whole - this branch of industry has promoted an extensive trade within the British Empire which is of definite economic value to Canada as a trading nation. Great Britain has reputedly been Canada's best market for Dominion exports and this corresponding development of purchases from the United Kingdom has undoubtedly been of mutual advantage.

Section XIIIIS THERE SUFFICIENT COMPETITION?

In all phases of industry that have relation to the supply of necessity goods for public consumption there is always the important question of whether there is sufficient free competition in the production and marketing of those goods to prevent any artificial restriction of supply and to prevent any artificial enhancement of prices.

So far as the Anthracite trade in Montreal is concerned it can be stated definitely that not only has there been a variety of competition but there has also been an abundance of supply and consequently there has always been a natural and economic price level at which anthracite has been sold to the public.

AMERICAN
COMPETITION

In the pioneer period (which we have discussed in this brief) when British anthracite was endeavouring to establish itself in this market, the competitive strength of American coal was such that for several years British Anthracite was sold in Montreal at a loss, both to exporters and importers, and while it is true that the British position subsequently improved very substantially it is equally true that American competition was also maintained actively and vigorously right up to the outbreak of war. In fact from the point of view of mechanical preparation, and the amount of sales interest devoted to this market by American operators, competition from Pennsylvania was even stronger in 1939 than it was in 1922 even though the volume of American anthracite actually sold was considerably less. Moreover in addition to this permanent competition from American coal there also developed a new competitive factor in the importations received from Germany, Belgium, Indo China and Russia.

It is obvious therefore that British anthracite sales have not been built up and maintained in this area through any lack of competition. There has always been a free supply of hard

coal in Montreal, and there has always been more anthracite available for importation than it has been possible to sell. British importations would undoubtedly have expanded into still greater volume but for the large tonnage of American coal that has always been sold in this market; and likewise American importations would have been greater if British sales had been less. In general therefore it can be stated that the expansion of British anthracite in this area has been due partly to the superior quality of the fuel itself but primarily to the efficient and large scale organization that has been applied to its importation, handling and marketing.

COMPETITION
BETWEEN WELSH
AND SCOTCH

Within the British trade itself there is a further competitive sub-division as between the Scotch and the Welsh both on the production side and on the importation side. The two coalfields compete with each other in export, and the Montreal importers of Scotch compete actively in local sales with the Montreal importers of Welsh. British anthracite sales in this city in normal times consist of approximately 25% Scotch and 75% Welsh, and the two products are marketed by different organizations. It is true that Scotch anthracite is imported in Montreal by one organization and that Welsh is at present imported in Montreal mainly by two organizations (although several other parties have been engaged in this activity from time to time, as we have previously described); but this is simply a corresponding development of the large scale organization which has been adopted of necessity by the Welsh and Scottish producers and which has called for similar organization for the efficient handling and marketing of Scotch and Welsh coal on this side, because volume is equally as essential to the economic importation and handling of coal as it is to its production.

ECONOMIC
PRICE LEVEL

Such variety of competition and abundance of supply from season to season has naturally resulted in prices finding an economic level. But, apart from the main competitive division between American and British anthracites and

the further sub-division between Welsh, Scotch and European coals, there has also been the unrestricted competition that exists in the retail distribution.

RETAIL
COMPETITION

The retail prices given in detail in Tables 4 and 5 are taken from the advertised price lists published by some of the leading Montreal dealers, but it must be emphasized that these prices are not representative of the prices at which anthracite is actually sold to the consumer. The effective prices are far from uniform throughout the City. The published prices which we have quoted simply indicate the maximum figures which dealers hoped to receive for their sales, whereas in fact (largely due to the freedom of supply that existed) not more than 65% of the anthracite delivered was actually sold at those published prices. The effective prices of the other 35% varied from 25¢ to \$1.00 per ton less. Proof of this was demonstrated during the present war when retail prices were frozen at the ceilings reached during the period Sept./Oct. 1941. When the freezing took place it was found that approximately only 45% of the Domestic size anthracite sold in the Montreal area was being sold at the advertised list price. The remainder was being sold at prices varying from 25¢ to 75¢ per ton less - even after two years of war conditions."

BY MR. FRAWLEY - This is retail, is it?

A. Yes, Sir.

Q. Where does the retailer get that money that he is able to undersell to the extent of 75¢ a ton, where does that come out of? Out of the retailer's spread?

A. Competition within the retail field has caused price cutting at times by some trade anxious to get orders and they take whatever cut they make in the price out of the margin they have for handling.

BY COMMISSIONER MORRISON - Does that ever happen in the wholesale field?

S.

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Harry Aird

A. There is no money in the wholesale field, Sir. May I ask you your question again Mr. Morrison?

Q. You said competition in the retail trade caused them to cut prices. I wondered if that had reached the wholesale trade?

A. It has existed at times, it has occurred.

Q. If it has not, Montreal is the only place in Canada that it has not.

A. It has, yes.

BY THE CHAIRMAN - What coals do you consider competitive to your coals, as fuel?

A. Pennsylvania anthracite, German anthracite, Belgium, Scotch.

BY COMMISSIONER MORRISON - And the better grade Bituminous coals properly sized?

A. When used in stoker installations. ||

Q. There is a trend that way?

A. Yes, quite a trend.

BY THE CHAIRMAN - It has been said where a good bituminous coal properly prepared would put the American and British anthracite out of business, to a small extent.

BY MR. FRAWLEY - How about Mr. Munroe's coke, is that not competitive in this market?

A. Yes, definitely. ||

Mr. Aird continues brief

"Incidentally it should be noted that today (1945) owing to war conditions and governmental control, effective retail prices are now uniform in the Montreal area at the 1941 ceiling levels.

Section XIV

DISRUPTION OF THE TRADE DUE TO WAR CONDITIONS

When war was declared in 1939 it was expected that the Montreal importations of British anthracite would automatically cease, as it seemed probable that war conditions would render shipping too hazardous for export trade. But as is well known this was not the case. Even in 1940 when Great Britain was in

imminent danger of actual invasion, shipments of British anthracite continued to be received in full volume; and during 1941 and 1942, when German submarine activities were responsible for sinking hundreds of merchant vessels in the North Atlantic, shipments of British anthracite to Canada under the convoy system were still maintained in large quantities, although towards the end of 1942 they certainly began gradually to diminish. Tribute must therefore be paid to the British producers and to the Mercantile Marine for the manner in which they endeavored under the greatest of difficulties to maintain the market for British coal which had been established in this Dominion in pre-war years.

IMPORTATIONS
PRACTICALLY
CEASED

By 1943, however, labour shortages in the mines became acute. At the same time demand from the home market was increasing, with the result that by the beginning of 1944 outputs had dropped and all exports of coal were drastically curtailed. At the present time shipments of domestic size Welsh anthracite may be regarded as having ceased altogether, and the shipments of Welsh Buckwheat are likely to be reduced to a minimum. On the other hand the position with regard to Scotch anthracite is even more serious because for some time past all exports of Scotch coal have been prohibited entirely. While the outlook may of course change at any time according to the fortune of war, as to what quantity of British anthracite will be imported during 1945 it is impossible at present to estimate, but the probability at the moment is that it will not amount to more than a few "token" cargoes."

BY MR. FRAWLEY - Do you mean that during the war your plant has been idle down there entirely?

A. Yes, Sir, our Welland Dock plant is virtually idle this year, largely so.

Q. It is costing you a lot of money?

A. It is costing us a lot of money, Sir, because not only is the plant idle, but we have fixed charges apart from the rentals, etc. in the way of personnel that we cannot afford to let go

because some day they may be required again.

Q. It would not be suitable to switch over to American anthracite?

A. It is not coming in in sufficient volume, Sir.

Mr. Aird continues brief

EXPORT PRICES
INCREASED

Apart from the supply problem, there is one other feature that has developed in regard to importations of British coal under war conditions, and that is the question of cost. At the outbreak of war in 1939 all contract prices previously arranged between exporters and importers were automatically cancelled by the British producers, and export prices immediately became subject to change without notice. Production costs in British mines during the war have increased substantially from year to year, and all export prices have therefore increased accordingly. These prices have always been established by the British Ministry of Fuel and the increases that have been imposed from time to time have been authorized and announced by that Ministry. However, from the time that price control was put into effect in Canada by the Wartime Prices & Trade Board in 1942 these increases in the cost of British anthracite have had no effect on the price structure in Montreal because all increases in the British f.o.b. prices of anthracite shipped to Canada have been absorbed by the Canadian Government and/or the British Government in the form of subsidies arranged mutually between the two Governments at Ottawa and London. All wholesale and retail prices of British anthracite in Montreal have therefore been maintained at the October 1941 level. But this level is of course purely artificial and non-economic, and those who are engaged in this branch of trade are not unmindful of the difficulties to be faced when the time arrives for prices of anthracite to find their natural equilibrium.

12:00 NOON HEARING ADJOURNED UNTIL 2:00 P.M.

2:30 P.M. HEARING RE-CONVENEDMR. HARRY AIRD continues briefPOST-WAR
PROSPECTS

It remains for us now to offer some comment as to the prospects of this branch of trade being actively resumed after the war.

We have already referred to the strength of American competition in this market during the period 1922 to 1939, and we have also made mention of the fact that owing to the drastic shrinkage in the importation of British anthracite during the 1944-45 season the Montreal area has once again become almost entirely dependent upon supplies from Pennsylvania. Both these considerations have direct relation to the problems that will have to be met by the importers of British coal in post-war days.

AMERICAN
POSITION
STRENGTHENED

It is probable that as a result of meeting the requirements of this market in time of emergency

(which it must be recognized the Pennsylvania operators have done) the position of American anthracite will be even stronger in the Montreal area in post-war days than it was in 1939. American competition in the years prior to the war was a basic factor because it was in reality a permanent basis of comparison as regards price and preparation, and this competition will undoubtedly remain as such when importations of British anthracite are resumed. But in addition to this competition, it is also probable that a great deal of the ground which American operators have recently recovered in this market will be retained for American coal."

BY THE CHAIRMAN - "It is also probable that a great deal of the ground which American operators have recently recovered in this market will be retained for American coal". Does that mean that they had this market before, in the early days?

A. Yes, British anthracite displaced it.

Q. Did you people make any arrangement with the American importers of coal to look after your clientele so-to-speak, during the war?

S.

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Harry Aird

A. We had an agency for American anthracite from which we have been receiving supplies.

Q. And that was taking the place of the coal from Great Britain?

A. Not entirely.

Q. You could not get enough from Great Britain to fill that market?

A. No, the market is short.

Q. Will you get that market back after the war is over?

A. American anthracite producers feel that they have sufficient coal available to meet the maximum demands of Canada, and in the event of British anthracite not coming back into this market, I think we will find that American anthracite will hold the trade. If British anthracite returns, because of the popularity of British coal, it is possible, and probable, that the outlet for the American tonnage will be somewhat affected.

Q. If you get the supply you will be able to look after your British anthracite users after the war?

A. Yes.

Q. And having regard to what is going on in Great Britain today, do you think you will get your full supply from Great Britain?

A. We are hopeful that the trade will be resumed, but I think the situation is rather foggy at the moment because of recent governmental action in Great Britain.

BY COMMISSIONER MORRISON - Is there any difference in the spread which you enjoy on the British imported coal and the American imported coal?

A. You mean as it might affect the retail distributors?

Q. No, as it might affect you?

A. No, approximately the same. The agency commission paid by American anthracite producers or shippers would approximate the commissions paid on British anthracite.

Q. In short, it will not affect your Balance Sheet in any way, providing the supply is available?

A. That remains to be seen, but judging by the past, I think the

commissions paid by producers of American anthracite approximate the commissions available on British anthracite.

Q. That being so, my assumption is that it will not affect your Balance Sheet?

A. Not materially.

BY MR. FRAWLEY - The British Coal Corporation don't buy up to now?

A. The Canadian Import do buy.

Q. The British is exclusively in the business of bringing in United Kingdom anthracite?

A. Right.

BY THE CHAIRMAN - Their market that they had before the war with British anthracite, they are supplying now with American anthracite.

BY MR. FRAWLEY - But Mr. Aird is here today as British Coal Corporation. Import does bring in..

BY THE CHAIRMAN - Do I understand that the Weaver interests are his too?

BY MR. FRAWLEY - He is here representing the British Coal Corporation, and he is reading the brief of the other importers of American coal.

Q. He is representing them?

A. Yes.

Q. So with his company as importers, the American coal is taking the place of the British anthracite?

A. In another department, sir. You spoke of Mr. Aird going into the American coal business.

BY THE CHAIRMAN - I took his word for it. He said he was supplying the market in Montreal with American anthracite that he supplied previously with British anthracite, and he expected to get that market back after the war.

MR. FRAWLEY TO MR. AIRD

Q. What Company are you speaking of that is now supplying its former British customers with American coal?

A. Both British Coal Corporation and Canadian Import, because the

Canadian Import Company have made available to the British Coal Corporation some American anthracite to supply to its customers.

Q. So we have the British Coal Corporation now engaged in the business of selling American anthracite?

A. Covering an emergency situation only.

BY THE CHAIRMAN - They are supplying their market in Montreal by coal which they purchased from American interests. They learned that lesson after the last war, that it was good business.

Mr. Aird continues brief

"There are several reasons why this is possible. First of all there is the natural tendency on the part of buyers to continue buying the same product, and having purchased American anthracite for two or three years the tendency may be to buy the same as before. Secondly, having recovered a great deal of lost ground in this market the American operators are likely to prosecute their sales promotion even still more vigorously in order to retain their present volume of distribution. And thirdly, it is possible that the public may be inclined to support the American product because they may regard it as a more permanent source of supply.

REDUCTION IN
EXPORT PRICES
ESSENTIAL

Another problem that British importers will have to meet is the question of price. In the previous section we made reference to the heavy increases that have taken place in the cost of British anthracite during the course of the war, and the system of subsidization adopted to absorb these increases in order to maintain the 1941 ceiling prices. We need hardly state, therefore, that if British anthracite is to be marketed in Montreal after the war it will be necessary for British producers to reduce their present export prices to a level that will permit of British coal being sold competitively with American, and competitively with any anthracite that may become available from the European continent. It is true that American anthracite is also subject to subsidy in the Canadian market at the present time, but the amount of subsidy on American coal is considerably less than on

British, and if all subsidies were removed the disparity in present costs would be considerable.

With regard to supplies, it is probable that in the immediate post-war years the availability of supply will be greater from Pennsylvania than from Great Britain. At the present time the output of American anthracite mines is approximately 20% greater than it was in 1939; whereas British anthracite mines on the other hand are at present only producing about 60% of their 1939 output. And while this reduced British production will undoubtedly be improved after the war, some of the increase may be taken up by the re-opening of European markets which have been closed to British coal for some few years. If, therefore, Pennsylvania production is greater today than it was in 1939, it is likely that at least the present volume will be available for sale in the years immediately following the war's conclusion, and it is more than likely that the American supply will exceed the demand, whereas the extent to which British production will equal demand will depend entirely upon Great Britain's reconstruction programme and the amount of time required for British industry to return to normal after six years of complete upheaval."

BY MR. FRAWLEY - You wrote all that before the last election?

A. Right, Sir.

Mr. Aird continues brief.

SUPPORT NEEDED
FROM PUBLIC
AND GOVERNMENT

Nevertheless, despite the foregoing difficulties that are contemplated with regard to the importation of British anthracite, we submit that this is a branch of trade that should receive the fullest support from the Canadian public and from the Canadian Government, because, we maintain, its resumption after the war would be of advantage to the general trading interests of Canada as a whole as well as to the individual consumer."

BY THE CHAIRMAN - That is, you want the present subsidies to continue after the war on anthracite coal?

A. I don't think we are going quite that far. We are hoping that

the British price will be competitive, or that the British exporters can place their coal in here on a competitive basis so that the business can be resumed.

Q. I thought it might be good if a duty was put on all anthracite coming into this country?

BY COMMISSIONER McLAURIN - They do.

BY MR. AIRD - Not on British coal.

BY COMMISSIONER MORRISON - What do you mean by the fullest support from the Canadian Government? What kind of support do you contemplate?

A. Well we feel that the Canadian Government should encourage the importation of British Anthracite because of its value to Canada. We may even have in the back of our minds that the Canadian Government might have to negotiate with the Ministry of Mines in Great Britain and go so far, if necessary, as to subsidize the coal. But that is quite beyond our control, as you will realize.

Q. But you told the Chairman that you were not in favor of subsidies? I was wondering what you meant when you answered that question in the negative, what you meant by "the fullest support from the Canadian Government. Making speeches or passing resolutions is not much support.

A. Have I answered your question?

Q. I take it now that you are in favor even to the extent of subsidies?

A. If that were necessary we would hope that the advantage of importations of British coal into Canada would encourage the Canadian Government to co-operate with the Welsh exporters and if necessary to lend support, why do so.

BY MR. FRAWLEY - You would have the Canadian Government putting its money on two horses, so to speak, Sydney and the United Kingdom?

BY THE CHAIRMAN - Did you say Sydney coal?

BY MR. FRAWLEY - Well Nova Scotia, or almost all Canadian coal.

BY MR. FRAWLEY TO MR. AIRD

Q. You don't think you can get enough relief from a reduction in the pithead cost of the United Kingdom anthracite?

A. We don't think we can?

Q. You are not too hopeful that you can completely re-establish the business?

A. I don't think we, or any other importers of British anthracite at the moment, can answer your question, because we don't know what is going to happen on the other side.

Q. You do have some advantage in tariff, American anthracite pays 50¢, and you pay what, nothing?

A. Not on anthracite.

Q. That gives you some advantage, does it not? That indicates the Government's position?

A. Then we get down to Trade Agreements as between Great Britain and the Dominion Government. That is something again that is really beyond us. British anthracite has benefitted under preferential tariffs.

Mr. Aird continues brief.

"The difficulties which we have outlined are undoubtedly problems that must be solved in the main - if they are to be solved at all - by the resourcefulness and efficiency of the importing and exporting organizations. We recognize that the problem of meeting the intensive competition that will certainly be offered by American coal in this market after the war is something that rests largely with the British interests themselves. To some extent it will mean starting all over again from a position similar to that of 1922 when American Anthracite completely dominated this market and was sold at prices against which it was impossible for British coal to compete economically.

POST-WAR
COMPLICATIONS

But the conditions in prospect at the moment are more complicated than they were in 1922.

After World War I, by means of large scale amalgamations among the British Anthracite producers together with a lowering of the wage scale in all British mines, production costs in the Welsh

and Scottish coalfields were sharply reduced, and it eventually became possible to market British Anthracite in Eastern Canada within reasonable range of American prices."

BY COMMISSIONER MORRISON - Certainly you are not looking to that solution in 1945, are you Mr. Aird?

A. I don't think so.

Mr. Aird continues brief.

"The outlook today, however, does not indicate much possibility of further amalgamations in the Anthracite fields nor is it at all likely that British labour costs in the mines will fall below their present level. The problem of price therefore is a far more formidable one than it was in 1922.

At the same time conditions with regard to general trade between Canada and Great Britain are also more complicated today than they were in 1922. It is certain that Great Britain will be in much greater need of export markets after this war than she has ever needed them in all her history. And as the United Kingdom has always provided the greatest outlet for Canadian goods it is reasonable to assume that the loss of the Canadian market as an outlet for British coal would have an adverse effect on the general trading possibilities between the two countries. The balance of trade as between Canada and the United States in normal times is preponderantly in favor of the United States, whereas the balance of trade between Canada and the United Kingdom is preponderantly in favor of Canada. The loss of this trade in British Anthracite between the Dominion and Great Britain therefore would only serve to increase America's favorable balance - and at the same time increase Great Britain's adverse balance - to the extent of between seven and ten million dollars per annum.

REASONS WHY
THIS TRADE
BE RESUMED

We submit that this is something that should not be allowed to happen if there is any practical way of preventing it, and we offer the following main

reasons for consideration. (1) If the Dominion is to maintain her extensive market for Canadian goods in the United Kingdom it

will be more incumbent upon Canada in the post-war period than ever it has been in the past, to provide reciprocal trade by importing from the United Kingdom, because it is obvious that Great Britain will have to develop reciprocal trading more urgently than ever she has done before."

BY COMMISSIONER MORRISON - That would be a pretty good scheme on a world basis, would it not Mr. Aird?

A. Yes.

Mr. Aird continues brief

"(2) The importation of British Anthracite is a trade that has already been established and therefore does not require any departure from Canada's pre-war trading economy, whereas if this particular trade were allowed to cease and the general volume of importations from Great Britain were to be maintained by taking a compensating volume of imports in other goods it would possibly disturb some existing Canadian enterprise which already needs protection!"

BY COMMISSIONER MORRISON - Which enterprise did you have in mind particularly when you wrote that Mr. Aird?

A. Well you might have steel or other commodities.

Q. Plumbing industry perhaps?

A. Textiles.

Mr. Aird continues brief.

"(3) Its resumption would not injure or interfere with Canadian production as it has never conflicted in any way with the production or marketing of Canadian bituminous coal; and (4) its resumption would maintain a valuable alternative source of supply.

If, therefore, the difficulties which we have noted should prove sufficiently real to endanger the resumption of trade in British Anthracite between this Dominion and Great Britain in the post-war period we suggest, for the reasons which we have enumerated, that the Federal Administration should take under consideration all practical means possible to ensure its continuation."

BY THE CHAIRMAN

- In connection with that No. 3 there -

"Its resumption would not injure or interfere with Canadian production as it has never conflicted in any way with the production or marketing of Canadian bituminous coal." You are not saying that there has been no lessening of Canadian production because of the importation? That there would not be more production in Canada if there was less importation of British anthracite?

A. I don't think so, because in this Montreal area, in this section of Canada, it is essentially an anthracite market and always has been.

Q. Why has it been? I am talking about the producing areas in the East and West, and there is no doubt in my mind that in the producing areas we can prepare a coal, and are preparing a coal in both ends of this country, which in the past for a number of years has been in conflict with anthracite both in the United States and Canada, and in some places has put, especially American coal, out of business. So when you say there is no competition, it does not make any difference how much imported coal is brought in, it will not lessen our production..

A. Not in this area. This area has been an anthracite market. I know that Cape Breton producers have been carrying on, and are carrying on today extensive research work.

Q. Not half as much as in the West.

A. In any event they have been carrying on research work to develop equipment than can burn bituminous coal rather than anthracite. They have made some progress in that direction, in other words stokers are being more extensively used, and Canadian coals to a point can be prepared and supplied as a stoker fuel. That is coming, but the public mind has to be changed from anthracite burning to stoker burning.

Q. Not only coming, it is here.

A. The public has to be educated from the anthracite point of view, and realize that other fuels can be used.

Q. As far as my observations have gone it does not require much change in our fueling apparatus between, for example, coke and anthracite. They use it tremendously throughout this country, or oiled coal.

A. Coke can be burned successfully in the type of heating equipment generally in use in this area. Bituminous coal can't.

Q. It depends on how it is prepared.

A. Until such time as the coal is prepared, and as the public are prepared to invest in stokers for the use of bituminous coal, we cannot expect a very great increase.

Q. My only conflict with you is in number 3. I don't see how if we increase the importation of anthracite, we are not going to decrease our own production.

A. Providing the public will accept bituminous coal, and in our opinion it is a matter of education. We have to bring the public around to the point where they can realize that bituminous coal, particularly in the use of stokers, can be used.

BY COMMISSIONER MORRISON - Surely the British Coal Corporation can very successfully achieve that education.

BY COMMISSIONER McLaurin - The point you are making is that at the present time there is a demand for anthracite that has to come from some place, and to the extent that British coal will displace American coal you are setting up a trend that is desirable for the trade?

BY MR. FRAWLEY - I understand a lot of coal is burned in Quebec Heaters. What percentage of Montreal coal is burned in those units?

A. I would not like to answer that for the purpose of record.

Off-hand about 20%. But I will try and obtain some information.

Q. In the domestic field, I mean.

A. I would not like to answer that for the record.

Q. These Quebec Heaters burn anthracite very well?

A. Yes.

Q. And not bituminous very well?

A. No. Neither do the hot water furnaces burn bituminous coal.

Q. But as you have said, there is work being done by the bituminous interests in Pittsburgh, on a type of stove that will burn bituminous as satisfactorily as

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Harry Aird

hard coal.

A. Right.

Q. But at the moment you have none of those stoves in this area at all?

A. No.

BY THE CHAIRMAN - Have you got any particular authority in answer to that last question? On the question of stoves in Quebec? Our information on them is that they are adapted to burn nothing but anthracite coal.

A. No. The heating equipment used in this area is not adapted to the use of bituminous coal as has been available in the market.

BY MR. FRAWLEY - Hand fired?

A. No.

Q. You say the equipment here is not adaptable to the use of bituminous coal hand fired?

A. No.

Q. There is some stoker business here?

A. Yes.

Q. But no great large percentage?

A. No, but showing a definite trend in that direction. We are talking exclusively of coal for domestic use.

Q. You know of no appreciable number of these bituminous burning Quebec Heaters?

A. No.

BY THE CHAIRMAN - But there are some?

A. Very few, Sir.

MR. AIRD continues brief.

We, the undersigned, constituting the present importers and distributors of British Anthracite in the Montreal area, jointly and severally declare that this brief is an expression of our collective views. We maintain that in the past this branch of trade has been operated with efficiency, and we further maintain that it is only by similar efficient organization in the future, together with governmental and public support, that

the difficulties which we have indicated can be overcome.

(Sgd) BRITISH COAL CORPORATION

THE SCOTCH ANTHRACITE COAL CO. LTD.

THE CANADIAN IMPORT CO. LTD.

F. P. WEAVER COAL COMPANY LIMITED

MONGEAU & ROBERT CIE. LTEE.

VIPOND-TOLHURST LIMITED."

BY MR. FRAWLEY - On page 12 you refer to a company called Thomas-Williams Company. Are they parties to this brief?

A. No sir.

BY THE CHAIRMAN - The procedure from the time we started in Sydney, in reading briefs we do not swear witnesses; but in cross-examination we swear them as to the factual things, and they can express their opinions if the basis of their information is well founded.

HARRY AIRD (Sworn) EXAMINED BY MR. FRAWLEY

Q. You say the Thomas-Williams Company are not parties to this brief, but they are in the business of importing some anthracite from Barretts?

A. Yes, bringing cargo lots in and selling them en bloc, but they are not operating depots or sizing plants, nor are they selling in the market excepting in cargo lots.

Q. One other thing. Does the British Coal Corporation participate in any way in the United Kingdom anthracite that is sold in the Maritimes? Cunard and O'Leary bring in anthracite, into Nova Scotia. Does your company participate in any way in that operation?

A. No, Sir, excepting that we have an exclusive agency with the Amalgamated Anthracite Collieries, now the British Anthracite Sales, covering all shipments made into Canada, and we receive on some tonnage a commission of 6d per ton, which is granted to us for the using of our best endeavours to develop and expand the sale of anthracite of Amalgamated Anthracite Collieries in Canada at not more than a reasonable profit to ourselves and the Sales Agent, and to cover advertising and other expenses.

Q. You do receive then a commission on the coal that is sold by Amalgamated to Cunard?

A. I say we receive a commission of 6d per ton on all such sales, but the 6d does not apply to the tonnage which the British Coal Corporation buy or the coal which they sell. We sell in the Maritimes, but we receive no commission when we are the direct sellers.

Q. You say you sell in the Maritimes?

A. Yes.

Q. How do you sell there?

A. In St. John, N. B., we sell Welsh coal, delivered alongside the dock in the Maritimes.

Q. You have an Agency in St. John?

A. No, we sell to a dealer there.

Q. What is his name?

A. P. D. Mitchell Ltd.

Q. And that coal really comes to you, and you sell to Mitchell?

A. Yes.

Q. You are the importer and get no commission on that?

A. No.

Q. And Cunard imports direct, and on that you get 6d commission?

A. Yes. That is covered on our contract that gives us a commission for the efforts we are putting forward to develop and expand the market for Amalgamated coal.

BY THE CHAIRMAN - That is all you do get on Cunard's or O'Leary's sales?

A. Yes.

BY MR. FRAWLEY - When Commissioner Tory reported to the Dominion Government in 1937, at page 106 of his report: "The payment of commissions to agents and brokers is a well established and legitimate commercial practice, but can only be justified where an equivalent service is rendered. Your Commission has been impressed with the variety and the size of the commissions being paid on Amalgamated Collieries anthracite sold in Canada for which no discernible service is being rendered. The British Coal

Corporation, for example, receives a commission of 12 cents a ton on all anthracite sold in Ontario;" Is that still true?

A. Yes.

Q. "Ten cents a ton on anthracite sold in the Halifax area, and twenty-five cents a ton in the Maritime Provinces outside of Halifax."

A. No, 6d.

Q. "The Milnes Coal Company receives commissions of twenty cents a ton on all anthracite sold in Ontario west of Kingston"

A. We have no connection with that.

Q. Or no knowledge of that?

A. No.

Q. "and the F. P. Weaver Company receives six cents a ton on anthracite supplied to Elias Rogers Company."

A. That is not our business either.

Q. "It may be true that the Webster Companies or the Milnes Coal Company did some useful pioneering work in the development of a market for Welsh anthracite in Canada twelve or fifteen years ago" - That is 12 or 15, plus 7 or 8. "But both these companies appear to have been amply compensated for such efforts, both by the commissions they received in the early days and the very substantial profits they have made continuously for the past ten years. There seems to be no sound reason why the consumer, who eventually must absorb these commissions, should continue indefinitely to pay a toll for certain hypothetical development work of many years ago. We have received no evidence to indicate that either the Webster group or the Milnes Coal Company performed any service whatever to justify the quite substantial commissions still being paid." Have you any comment to make on that in this year, 1945?

A. Yes, I would say that the total commissions if conditions were normal would be quite nominal, and would be a comparatively small compensation for the efforts that are put forth by us, and to also absorb advertising and other expenses, and I would say that

the Amalgamated Anthracite Collieries, or the British Coal Sales as they are now, would not be paying that commission to us were we not rendering a service worth the fee.

Q. For your own sake I think I should give you an opportunity of saying what particular service you do with respect to the coal imported into Halifax by Cunard from Amalgamated.

A. So far as Cunards are concerned, we may not at the moment be rendering a very definite service, but I think we have got to take this on the whole. You take Newfoundland. Under normal conditions we have been making substantial sales in Newfoundland. That business has been developed entirely by us and it is a very expensive business to secure, because travelling to and from Newfoundland, which has to be covered three or four times a year, is quite expensive.

Q. You still maintain contacts with Newfoundland?

A. Yes.

Q. You still send people from Montreal to Newfoundland?

A. Yes, Sir.

Q. What do they do?

A. They go to develop the trade and get the orders. Although we are not getting any British anthracite in Montreal at present, we get some for Newfoundland and that is sold by us.

Q. Why could not the ABC Company in St. John's, Newfoundland, develop that business?

A. The British Coal Corporation, Sir, are developing a market. That coal is not going to one consumer in Newfoundland, or one buyer, but to five or six, and we have to drum up the trade, so to speak.

Q. Suppose you were not there at all, and the Amalgamated still wanted to sell coal there, could they not find someone in Newfoundland to sell it there?

A. I think they possibly feel it is cheaper to pay us the 6d per ton, than to try and maintain a sufficiently close contact with that market to get the business.

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Harry Aird

Q. So they are satisfied to pay you for keeping it alive year after year, and have been doing that for about 20 years, and you still get that commission?

A. Yes.

BY THE CHAIRMAN - But Cunard's have one of the most alive selling organizations in this country themselves?

BY MR. FRAWLEY - Mr. Aird has been dealing with Newfoundland. What justification is there in your mind for the 6d commission that your company gets for this Halifax business?

A. I don't know that we just take that view of it. I think we take the over-all picture into consideration.

Q. In other words you might be entitled to twice 6d in Newfoundland, but you take 6d in Newfoundland and 6d in Halifax, and that makes up for it. You think the Halifax commission is paying you for the work you do in Newfoundland.

BY COMMISSIONER MORRISON - Robbing Peter to pay Paul?

BY MR. AIRD - I don't know that I would just put it that way. I still feel so far as we are concerned (and I realize I am not answering your direct question) that the only way we can view this is by taking the over-all picture.

BY MR. FRAWLEY - I am just trying to get some information for the Commission. I was very much surprised to know that what Mr. Tory recommended against is still going on. I think it is fair to say he recommended against that.

A. That contract Sir. As you know there was a coal trial in 1933 and the Courts passed upon that contract and approved of that contract. So despite the comments that Dr. Tory made, the Courts notwithstanding passed upon that contract as a legal contract. It is true there were three points in the contract that were criticized at the time of the coal trial, which were subsequently eliminated.

BY THE CHAIRMAN - We are not looking at this thing from the point of view of the contract. It may be quite legal to charge \$10.00 for a ton, or half a ton of coal in Montreal as far as

legality is concerned, but Mr. Frawley is concerned with why the coal cost is increased in Nova Scotia or any place else where the people receiving it are getting nothing in return.

A. I would not take that view of it. It seems to me that the consumer in St. John's, Newfoundland, is not paying any more for his coal than if he bought it from Amalgamated direct.

Q. We are not interested in Newfoundland. Perhaps we should be, but we started out to get the set-up so far as your agents in the Dominion are concerned. Is this the answer, that you are the sole importers and have a contract, of this type of British anthracite?

A. From the Amalgamated Anthracite Collieries.

Q. That is the answer?

A. Yes.

Q. And when Cunard's in Halifax start in to make a contract for that, they have to do it through you because you are the sole importers?

BY MR. FRAWLEY - Does Amalgamated ship into any American market?

A. Yes.

Q. Do you get a commission on that?

A. No, because we are not supervising the American market.

Q. It is just a method of paying you? They might say we will give you 6d on what you sell in the United States?

A. No, it is a matter of compensation for services.

BY THE CHAIRMAN - We are interested in the consumers of coal in this country just as much, if not more than the producers.

BY MR. FRAWLEY - And 6d is 12½%, and that is the amount that has to be added on to the price to pay the toll Mr. Aird's Company collects?

A. Not necessarily. If Amalgamated had to stand for the expense of supervising the Canadian market, their price would be that much higher.

Q. Now Mr. Aird you have not included in this brief any statement of your Overseas costs, plus your transportation to

tide water, plus your loading of cargo, and unloading, etc., and would you be good enough to file a rather comprehensive statement showing what those costs are, broken down into the component parts.

A. Right.

Q. Would you also be good enough to do that for these other people you represent, or they might not want to do it through you.

A. They would not.

Q. Will you see that they do it direct?

A. I will pass on your request to them.

Q. And will you ask them to do that from 1932 to date. You don't need to do that between now and tomorrow morning.

- Q Now would you just explain in a few words for the information of the Commissioners the mechanics of this British Coal Corporation operation? Just what do you do and where do you stop? Where does Import and Weaver come in in this operation?
- A The British Coal Corporation first of all is a corporation having a contract with the Amalgamated Anthracite Collieries. Now the British Coal has a contract covering the handling and distribution of all A.A.C. coal coming to Canada. The British Coal Corporation receive the coal from Amalgamated. Under contract they are obliged to provide the necessary storage and handling facilities and processing facilities.
- Q Where?
- A In Montreal.
- Q But let's get back to the British mine. Where do you buy it? Where does it become your property?
- A Strictly speaking--it is based on the pithead price but strictly speaking it becomes our property when it reaches Montreal.
- Q The property doesn't pass until it comes up against your dock in Montreal?
- A That would be right.
- Q Who arranges for the transportation to tidewater in Britain? Who loads it into the vessels and so on?
- A The shippers of the coal naturally look after all detail in Wales, that is the shipping of the coal to loading port and the loading of the boats. Generally speaking, they make most of the charter parties and freighting contracts covering the transportation, in consultation with ourselves, because after all the f.o.b. price in Wales is the price that they are primarily interested in, but we have ourselves frequently negotiated freight contracts on this side. In cases of that nature we naturally advise our shippers what is available, what we can do and what we have done, if they deem it advisable for us to assist by contracting here, but generally speaking the exporter of the coal negotiates the freight contract.

Q Now then, it arrives in Montreal and when do you pay for it?

A We pay for it monthly.

Q Who delivers it to your Vulcan dock, at whose expense? You pay for it f.a.s. your Vulcan dock?

A Yes.

Q Then you unload it?

A We unload it, store it, process it, get it ready for delivery to the trade.

Q This is the British Coal Corporation?

A This is the British Coal Corporation. They also provide the storage for winter supplies, which in normal times is quite heavy. In other words they store the coal so that it will be available for delivery to the trade during the winter months when no coal is being received.

Q Now let me go back a minute. You pay X dollars where?

A Alongside of whatever dock we designate is to receive the cargo.

Q But that price is a built-up price, being the mine price plus certain transportation, land and water?

A And insurance.

Q Until it becomes f.a.s. your dock?

A Right.

Q So that you start off with a pithead price which you negotiate with Amalgamated?

A We start off with an f.a.s. price.

Q What I think the Commissioners would be interested in is whether you are primarily concerned with the pithead price?

A Well, we are primarily concerned with the pithead price in that it governs the market here in the matter of cost. If the pithead price, plus the freighting and handling, is too great it may be uneconomical, or would not permit our disposing of the coal in competition with, let us say, Pennsylvania anthracite; in normal times, let us say, with German, Belgian, Indo-China and Russian coals.

Q You have bought and sold a lot more of this coal than I have, but it seems to me that you would be very much concerned with

the pithead price, and then the f.a.s. price Vulcan dock would be simply a matter of arithmetic to arrive at?

A Well, when we arrange our price, Mr. Frawley, the current freight rates are known generally and the freight contracts are either arranged or in the position of being able to be arranged and our shippers tell us what the f.a.s. price will be for the season, and that is the price that indicates to us what we are going to be able to do in the way of marketing the coal when it gets here.

Q That is the simple, practical thing you are interested in, the f.a.s. price, but I was wondering to what extent you are concerned with the cost of production of this coal in Wales. I wondered whether or not you hammered out a pithead price. Apparently you do not?

A No, but when negotiating prices for any season we naturally try to obtain as low a price as we possibly can, but beyond that we have no control.

Q I mean if you saw costs rising in those pits and production per man per day going down, and things of that sort that is bound to put the price of coal up, do you enter into discussions with Amalgamated about those things?

A No, because Amalgamated indicate to us the price at which they can put the coal out here, and it is for us to say whether we can absorb such a price or whether we will have to pass it up.

Q In other words that is their worry, whether costs are up or down?

A That is their worry.

Q All right then, it is f.a.s. your dock and you unload it and process it and then what do you do?

A We screen it, resize it, process it as you say, then we get it ready for delivery to the dealer trade or arrange for its loading into cars for shipment to outside markets.

Q Now it is about to enter the market, and how many customers have you got? I mean how many customers has B.C.C. got?

- A British Coal Corporation have, through their sales agents, about I would say conservatively, I think 300 customers, but I would ask that that should not be taken as a definite number and I will give you the information.
- Q I think you misunderstood me. Does Import buy coal from British Coal Corporation?
- A No, the Canadian Import Company and the F. P. Weaver Company are the two distributing outlets for the British Coal Corporation and they distribute all that coal on an agency basis, receiving an agency commission for their services.
- Q That is the first time I have been clear about that. So that Import does not buy coal from you? It is your coal when it goes out from Import to say Vipond-Tolhurst?
- A Or to any dealer.
- Q How do you invoice? If Vipond-Tolhurst is buying anthracite from Import do you invoice Vipond-Tolhurst?
- A We invoice Vipond-Tolhurst indirectly, in that all deliveries of coal made to our distributing agents are invoiced to the distributing agents, who in turn assumes the detail of invoicing, breaking it down into the quantities received by the various dealers.
- Q Let me put it another way. Vipond-Tolhurst buy some of this coal that comes over Vulcan dock and they buy it through Import. To whom does Vipond-Tolhurst pay that account?
- A Vipond-Tolhurst do not buy from the Import Company. I think they buy coal from the Weaver Coal Company.
- Q There is only one other they can buy from. Let's go over to Weaver.
- A Vipond-Tolhurst will turn their money in to the Weaver Coal Company, and Weaver Coal Company in turn will pass it back to us.
- Q They should not be doing that at all. They should be sending their cheque direct to British Coal Corporation.
- A Well, for convenience of operation I think it has been discovered that that is the most convenient way of doing it.

Q To all intents and purposes Vipond-Tolhurst probably think they are buying coal from Weaver?

A I don't know anything about that.

Q They pay Weaver?

BY COMMISSIONER McLAURIN: Take some dealer out at St. Jerome.

Vipond-Tolhurst is not a very good example.

BY MR. FRAWLEY: All right, let's take Mr. Jones out in St. Jerome who wants to buy some British anthracite that has come over Vulcan dock.

A He is served by one or other of the B.C.C. sales agencies.

Q All right, he has to go to either Import or Weaver?

A Yes.

Q All right now, what does he do? He gets the coal and whom does he pay for it?

A The distributing agent, whether it is Import or Weaver, will have to collect that money for our account.

Q It must be, because you premised all this on the fact that these people were just your agents, but I was thinking of just the mere mechanics of it. Weaver would go out and canvass that man for some U.K. anthracite and the dealings would all be between Weaver and Mr. Jones in St. Jerome?

A Yes.

Q And this man in St. Jerome would have no business relations of any kind with B.C.C.?

A No. May I say, sir, that in the same sense that dealer in St. Jerome who might want a car of one line company anthracite could buy that coal from Weaver or from Vipond-Tolhurst or from Mongeau & Robert and he would be invoiced by, that money would be collected by whoever supplied the coal.

Q He couldn't buy U.K. anthracite over Vulcan dock from Mongeau & Robert?

A I am suggesting, sir, that the mechanics are similar to the mechanics used by, let us say, American line companies who sell here, just the same thing.

- Q You may not think so but all that does is confuse me. Let's just stick with U.K. anthracite over Vulcan dock, the property of British Coal Corporation. I want to know what relations of any kind he has with B.C.C.
- A I don't think the dealer is interested in B.C.C. because when he wants B.C.C. coal he goes to one or other of its distributing agents and obtains it from them, and we supply it through whatever distributing agent he elects to deal with.
- Q You are not known to the trade generally at all?
- A We are, because we advertised extensively in former times in the press, advertised our British Coal Corporation's anthracite.

BY COMMISSIONER MORRISON: You have exclusive selling agents?

If Mr. Jones in St. Jerome wanted to buy coal from you direct you would say, "No, you have to go to Import or Weaver"?

- A In the same sense if that Mr. Jones wanted to buy a car of D. & H. coal and sent his inquiry to that company they would write him back and tell him they have two distributing agencies in Montreal.

BY THE CHAIRMAN: In other words you never become a creditor outside of the two distributing companies? If this man refused to pay for that coal who would have the right to sue him?

- A The selling agents.

BY COMMISSIONER MORRISON: Who takes the rap for the bad debts?

- A The selling agent has to guarantee the sales he makes on our behalf.

BY MR. FRAWLEY: The contract is strictly between Weaver and Mr. Jones in St. Jerome? You say that Weaver is acting only as your agent but he deals at all times as a principal with the man at St. Jerome?

- A That is why Weaver--using his name for the moment--receives a commission, because it is his job to go and sell the British Coal Corporation coal and guarantee the payment of the sale that he makes.

Q Just before I forget it, will Mr. Campbell be good enough to make a note to send us in a memorandum showing the relationship between your company, British Coal Corporation, and Import on one hand and Weaver on the other.

BY COMMISSIONER MORRISON: You mean by that the finance?

BY MR. FRAWLEY: Yes.

BY COMMISSIONER MORRISON: Are these two agencies subsidiaries of the British Coal Corporation?

A No sir.

BY MR. FRAWLEY: No, they are all Webster subsidiaries but they are not subsidiaries of Mr. Aird's company. I shouldn't say that; I don't know.

BY MR. CAMPBELL: We will give you a memorandum.

BY MR. FRAWLEY: Will you give us a statement showing the relationship, stock or otherwise, between the company and these two companies, Weaver and Import. Now there is something else I want to pursue. I want the Commissioners to know to what extent there are any degrees of availability of your coal and degrees of advantage, I mean to say when this coal is being sold. Let us assume a large apartment house up on Sherbrooke Street wants a large supply of U.K. coal and there are four or five people bidding for that coal. Now I want to know whether this relation you have with Weaver and Import enters into in any way or makes for a disadvantage to the people who are bidding for that order?

A No, it does not.

Q Why?

A Because British Coal Corporation coal is sold to all dealers on identically the same price basis. In other words the B.C.C. have their circular prices and a dealer, whether large or small, is purchasing his coal from the distributing agents at exactly the same price. There are about 400 retail licensed dealers in Montreal and if any licensed dealer comes to the Import Company or to the Weaver Company the coal is made

available to him and it is made available to him at the same price as Vipond-Tolhurst would pay or any other similar company.

Q But if he would like to by-pass Weaver and Import and went in to see you, Mr. Aird, you would say, "I am sorry. I can't do any business with you"?

A I would not go that far. I can see no reason why Vipond-Tolhurst would want to buy from British Coal Corporation rather than from the Weaver Company--if he is buying there; I think he is--because the British Coal Corporation coal is available through Weaver or through the Import Company, but I am quite satisfied that if Vipond-Tolhurst Company came to the British Coal Corporation and said that he wanted to be invoiced by them and take his coal direct from them, I am quite satisfied that we would give him the coal.

Q You would certainly give him a price?

A We would give him the same price.

Q There is one thing that is important. If Import or Weaver went out after this Sherbrooke Street business then there would be an upset in the market. Now do they go out?

A They do not.

Q Canadian Import Limited does not go out into the retail trade and seek business, large business or small business?

BY COMMISSIONER MORRISON: Commercial business.

BY MR. FRAWLEY: Any kind of business, as against Vipond-Tolhurst or any strictly retail company?

A That is correct. Now I am speaking for the Canadian Import Company. I have no authority to speak for the Weaver Company but as far as my personal knowledge is concerned I know that that is the case.

Q You do have something to do with Import Company?

A Yes, I am an executive officer.

Q You are not an executive officer of the Weaver Company?

A No sir.

- Q But you have pretty good reason to say that Weaver does not go out and bid for that kind of business?
- A That is my ---
- Q Because if they did they would have the advantage of this discount over and above a man like Mr. Tolhurst?
- A That competition does not exist.
- Q So that every retailer that is anxious to push a certain piece of business over Vulcan dock, you say we can be assured are in exactly the same competitive position?
- A That is correct.
- Q Sometimes through the medium of wholly-owned trucking subsidiaries there is an advantage obtained. Do you know anything about that?
- A I do not, but so far as the British Coal Corporation is concerned--and I might go further because you have linked the sales agent now with it--so far as British Coal Corporation and Canadian Import Company are concerned, neither of those companies have any interest in any transportation or delivery organization, not the remotest connection.
- Q And I suppose Weaver doesn't operate any trucking subsidiary?
- A I don't think they do.
- Q That is not the nature of their business; they are strictly wholesale? The retailer has to take it away in his trucks?
- A Yes.
- Q Are you associated in any capacity in the retail business?
- A No sir.
- Q So that you are not able to support the suggestion that through the medium of wholly-owned trucking subsidiaries sometimes one man is in a better competitive position? He is willing to lose a little money, even, in his trucking? You don't know about that?
- A No, that is outside of our operations.
- Q Now have you any observations or submissions to make to the Commission on the duty on your competitive product, U. S.

anthracite? It is 50 cents now, isn't it, and there is also an excise tax which at the moment has been removed?

A It has been cancelled.

Q Cancelled or suspended?

A It is not effective at the moment.

Q Have you anything to say about that?

A No, I don't think I have, Mr. Frawley.

Q Have you paid that 50 cents a ton all during the war?

A It has been on for a long time.

BY COMMISSIONER MORRISON: Suspended during the war?

A Not the entire war period; just of recent date.

BY MR. CAMPBELL: The 50 cents is not suspended.

A The 50 cents is not; the War Exchange tax is.

BY THE CHAIRMAN: They are getting a subsidy for bringing that in. I mean to say, did they do anything about cutting of the tariff when that came into effect? Of course he couldn't get that.

BY MR. FRAWLEY: Sometimes the Commodity Prices Stabilization Board instead of paying a subsidy will say, eliminate the duty, but in the case of American anthracite you say the 50 cents has been there and paid all through the war period?

A Has been there all through the war.

Q The 50 cents exchange tax you say has been thrown off?

A It is not applicable.

Q You don't think that should be increased to \$1 a ton?

A We are not desirous of or prepared to make any recommendation on that score.

Q You spoke of Government support. I mean if they doubled that duty that would be a simple way of giving "fullest support"?

BY THE CHAIRMAN: Any good reason why it should not carry the same tariff as bituminous coal coming into this country?

BY MR. FRAWLEY: What do you say about that? The duty on American bituminous is 75 cents; the duty on American anthracite is 50 cents. Do you know the reason why it is less?

BY COMMISSIONER McLaurin: I know the reason. There are more voters buying anthracite than there are buying bituminous.

BY MR. FRAWLEY: You wouldn't say Quebec voters by any chance? Probably the theory is that there is no anthracite in Canada, therefore it doesn't hurt anything. We will let it come in at a lower duty.

A I don't know. I think Mr. Justice McLaurin's remark--it may be a concession granted to consumers.

BY THE CHAIRMAN: In Quebec?

A No, in Canada.

BY MR. FRAWLEY: In other words bituminous coal is largely industrial; anthracite coal is more for domestic use?

A Yes.

BY THE CHAIRMAN: The reason I think is it never carried duty up until 1932, I think it was, and I think the reason is that we had no anthracite in this country and therefore we weren't helping out any of our own industries by doing much in the question of tariff.

BY COMMISSIONER McLaurin: The duty came in in the Ottawa Agreements. It is part of the Ottawa Agreements.

BY MR. FRAWLEY: But anyway you are going to stand aside and say, "No, I am not asking for any more duty on American anthracite"?

A No, I don't think.

Q How about a duty on U.K. anthracite? You think that should be left as it is now?

A I think that is a matter that is quite beyond any of the importers in this country. It is a matter of international trade between Canada and the British Government.

Q Sometimes referred to as "high government policy"?

BY THE CHAIRMAN: And they should always go to men like Mr. Aird to find out what he thinks about it. You see, we are trying to feel the pulse of the people of Canada in certain matters. That is, I suppose, why Mr. Frawley is asking that question.

BY MR. FRAWLEY: Yes, we feel we should like to ask the people who should know, and you certainly are one of them. You say there is not much difference between Red Vein and Big Vein. There was a suggestion in the Tory Report that you brought in some of this Big Vein coal. He says this on page 65: "The difference between them, however (that is Red Vein and Big Vein) is largely a question of friability (the tendency of the coal to break down into small sizes and dust during the process of transportation and handling) as an examination of the content, as expressed in volatile matter, fixed carbon and ash and the resultant B.T.U.'s, does not show great variation. As the coal, in the end, is all sold at a common price the selection of the grade by the importer will depend upon which grade will be to him the most profitable.

"Generally speaking, the importations into Canada are from the lower grades of Big Vein with a small percentage of Red Vein, the importers doubtless believing that the loss they have to take on degradation is compensated by the difference in price they pay at the mines. At the present moment this is also due to the fact that the development of the blower furnaces has resulted in an increasing demand for the smaller sizes, for which previously there was no market, while the European market favours the larger sizes for which they are willing to pay a substantial premium."

What do you think about that? Is that so?

- A You mean as to the relative values of the two coals?
- C Yes, that you bring in.
- A I think the statement that the Red Vein coal analysis is practically on a par with the Big Vein grades is correct. It is a more friable coal. From the point of view of an importer he has no interest in Red Vein because of the higher cost of degradation. So far as the British Coal Corporation is concerned, while we may at times have had odd lots of Red Vein coal the tonnage has been so small as to classify it as negligible. We don't like the Red Vein coal because of its more

friable character.

Q And you pay less for it at the mine?

A I think Red Vein coal might run two shillings or perhaps as much as three shillings a ton less than Big Vein, but that doesn't represent any lower cost. The additional degradation wipes the price advantage out.

Q You don't believe what Mr. Tory says, that "the importers, doubtless believing that the loss they have to take on degradation, is compensated by the difference in price they pay at the mines."

A As between Red Vein and Big Vein, assuming that there was a price differential of two shillings--I am just using a figure--I would say that we would still prefer to leave the Red Vein coal aside and just take the Big Vein coal, because the lower cost of the Red Vein does not mean a lower cost of the resultant domestic sizes prepared for the consumer.

Q Thank you very much. Now another thing that just strikes me. If you were to sum up in one word what it is that enables U.K. anthracite to maintain a position in this market as against the much more accessible U.S. anthracite what would you say it was?

A I don't like to offend any of our U.S. anthracite friends but the British anthracite is popular in this market and is in demand because of its fuel value, its quality, and it sells entirely on its merits.

Q It is not bought because it is mined under the British flag alone?

A No sir, it is bought from the point of view of greater fuel value and entirely on its merits.

BY COMMISSIONER MORRISON: Dollar value?

A Dollar value. More than dollar value, sir, because in addition to the dollar value there is the question of furnaces. In thousands of cases where the householder looks after his own furnace his work connected with the handling of a furnace with Welsh anthracite is substantially less than with

Pennsylvania anthracite.

BY MR. FRAWLEY: I understand you get more for it than for Pennsylvania anthracite?

A The consumer in the past in the Canadian market has paid a premium for Welsh anthracite--I should say British anthracite because the same applies to Scotch--over the cost of American anthracite, and my opinion is that he will do so again if it is necessary to do it.

BY COMMISSIONER MORRISON: Plus good salesmanship on the part of British Coal Corporation?

A And those others in the trade importing into the market.

Q Well, they are just first cousins, all those other fellows, as far as I can understand; all one big happy family.

BY MR. FRAWLEY: Either cousins or small fry.

BY MR. CAMPBELL: I don't know that Scotch anthracite would like that. Mr. Forsyth is not here.

BY MR. FRAWLEY: Who determines the retail price of the U.K. coal that comes from Vulcan dock?

A The retailers who buy it from the wholesalers,

Q Who fixes the price to the retailers?

BY COMMISSIONER McLURIN: What do you call that, the jobber's price or wholesale price?

BY MR. FRAWLEY: The importer's price, is it?

BY COMMISSIONER MORRISON: The importer is the fellow who gets the first bite of the cherry.

BY MR. FRAWLEY: Who fixes the price at which you sell the coal to whomever you do sell it?

A The B.C.C. fixes the price at which B.C.C. coal will be sold to the dealer trade through its two sales agents. The Scotch Anthracite Company will fix the price at which they are going to sell their coal. Mongeau and Robert will fix the price at which they are going to sell their coal.

Q In other words we have three people in the business of importing British coal, the British Coal Corporation, the Scotch

Anthracite Company and Mongeau & Robert, and B.C.C. announces to the trade generally the price at which any retailer in this area can buy British anthracite coal?

A Yes.

Q And what is the price, say Xdollars? What is it roughly?

A At the moment about \$14. Again I am not giving that as . . .

Q No, no, but that is good enough, and then do you announce the price at which Import buys? I should not be saying that, should I? Do you announce the commission which Import gets for the work it does as being your distributing agent?

A No, that is covered by our agreement.

Q That is not announced to the public?

A That is not public.

Q You just say to people like Vipond-Tolhurst the price at which he can buy your coal?

A If he wants to buy from us.

Q And he also knows the simplest thing for him to do is go and get it from Weaver or Import?

A If he wants to use our coal.

Q Because if he went to you you would say, that is the same price?

A That is the price.

BY COMMISSIONER McLURIN: He would have to go to Weaver because they are the selling agents.

BY MR. FRAWLEY: Mr. Aird told me that if they didn't want to go to Import or Weaver and went direct to B.C.C. they would quote them the same price.

BY COMMISSIONER McLURIN: He would still first have to go to Weaver.

BY MR. FRAWLEY: Mr. Tolhurst would be paying you too much money?

A Mr. Tolhurst would not be paying any more money.

Q But you would be getting too much money for your own purposes? You would have to return a portion of that money to Weaver or to Import?

- A That might be. We might consider that Mr. Tolhurst in this case was a customer of the Weaver Company and Weaver Coal Company were entitled to the commission on the sale.
- Q Suppose Mr. Tolhurst came in to you and said, "I have terminated my relations with the Weaver Company, I never had any relations with Import and don't want to commence, but I want some coal that has come over Vulcan dock." What would you do?
- A We would offer to sell Mr. Tolhurst at whatever our circular price might be.
- Q He would pay that to you, that \$14, and you would keep the \$14 under those circumstances, I presume?
- A Well, we would keep it, yes. Whether we would consider the Weaver Company entitled to their sales commission is another question.
- Q I am saying Mr. Tolhurst says he has no more relations with Weaver?

BY COMMISSIONER McLAURIN: Surely you can't do that? Surely you can't go and sell to somebody?

- A I feel in this case we are linking up Mr. Tolhurst--I don't know that Mr. Tolhurst is altogether pleased with all this discussion--we are linking up Mr. Tolhurst with Weaver just now. If we sold, if the B.C.C. sold Vipond-Tolhurst some coal direct, which they would sell at their circular prices, they would go to the Weaver Coal Company and they would say that "there are reasons why Vipond-Tolhurst would like to buy direct from the B.C.C. We recognize you as our sales agent. If it is agreeable to you we will invoice Mr. Tolhurst but you will get the commission to which you are entitled."

BY COMMISSIONER McLAURIN: But you would still have to get Weaver's permission?

- A Right.

BY MR. FRAWLEY: I think to be consistent what you should say is, "I won't sell you at all. You will have to see Import or Weaver," but the minute you admit you will sell Tolhurst then you are in this predicament Commissioner McLaurin is talking

about: you have got to find somebody to get permission from. Let me put it a little differently. Suppose a brand new company was set up in the coal business in Montreal and wanted to buy U.K. anthracite and went to you?

A We would send them to one of our distributing agents.

Q All right, and if they made a point of it and said, "I don't want to deal with those people, I want to deal with you." What would you do?

A Well, I think we would probably tell that prospective customer that we have two distributing sales agents; we would like you to elect one or other of them as your dealer.

Q And I think if you didn't take that position pretty firmly and consistently that all you would be in is a lot of difficulty.

A We feel that through our sales agents we are selling all of the dealer trade in Montreal. Our sales agents are paid a commission for securing the business for the B.C.C. and we figure that they are selling the coal for us.

Q Do you have a contract with Import and Weaver? Is the arrangement that you have with Weaver and Import evidenced by a written contract?

A Yes.

Q Are they made every year?

A No, it is a term contract.

Q Mr. Campbell, would you be good enough to send us copies of those contracts? The reason I am making a point of this, in my conference with you last January I got quite a different impression, as my notes show. I got an impression that they bought outright from you. Now I was just mistaken about that apparently.

BY MR. CAMPBELL: We will send you a copy.

BY MR. FRAWLEY: Now Mr. Aird, going back to your arrangement

with Amalgamated, with respect to the coal sold in Nova Scotia do O'Leary and Cunard deal directly with the Amalgamated Company?

A They deal direct.

Q You have nothing to do with the arrangements they make at all?

A All arrangements are made between the O'Leary Company and Amalgamated direct.

Q And if any of those arrangements or any of those accounts between O'Leary and Amalgamated go bad and there is some bad credit involved, nobody comes back on you?

A O'Leary in Halifax-- wait a moment, O'Leary is Pascoe. If you take Cunard, Cunard is a direct agent of the Amalgamated, or perhaps I should say Cunards negotiate all their transactions direct with Amalgamated.

BY COMMISSIONER McLAURIN: Amalgamated and Cunard carry the risk and you get the commission?

A Well, we get our over-riding commission for service rendered.

BY MR. FRAWLEY: You have nothing to do with any credit risk that is involved between Cunard and Amalgamated?

A No.

Q And if Mr. Cunard doesn't pay for his vessel of coal you have nothing to do with that? I suppose Mr. Mongeau has that same arrangement with Pascoe?

A I don't know.

BY COMMISSIONER MORRISON: Who gets the 12 cents from O'Leary?

BY MR. FRAWLEY: If anybody gets it Mr. Mongeau gets it.

BY THE CHAIRMAN: I understood that Mr. O'Leary was paying them sixpence.

BY MR. FRAWLEY: No, that is Amalgamated. Pascoe is a different coal.

BY THE CHAIRMAN: I understand it now.

BY MR. FRAWLEY: I don't know that I understand the Ontario thing now completely. Just let us conclude with one word about that. Amalgamated coal that goes up into Ontario, you get something on that?

A Yes.

Q And that is taken delivery of by Milnes up there?

A Yes.

Q And the risk there again is between Amalgamated and Milnes?

A Right.

Q And you get the sixpence?

A Yes, for the services we render.

Q And some goes to Elias Rogers?

A The same there.

Q And some goes to Weaver Company in Toronto?

A No, Amalgamated sell some of their coal direct to the Weaver Company in Toronto and in that case Amalgamated bill Weaver in Toronto direct.

Q Is there some of the Amalgamated coal that Weaver of Toronto gets and sells that you do not get any benefit from? I am not clear on that.

A I wouldn't want to be too clear on that myself. I know that coal going to Rogers and coal going to Milnes comes under our agreement. I think that Weaver coal direct to Toronto also comes under that same arrangement but I am not definite enough at the moment. I will let you know.

Q F. P. Weaver Company is one of your exclusive selling agents in Montreal?

A Yes, but not in Toronto.

Q Mr. Campbell may be good enough to clear that up for us.

BY COMMISSIONER MORRISON: From your brief I take it that the exporter on the British side may not necessarily be the producer? Your coal instead of coming direct from the producer in Wales may go through an agency similar to your own?

A You mean come to us from Amalgamated but not necessarily be coal of Amalgamated's own production?

Q That's right.

A I think that is possible, that Amalgamated may use some tonnage there other than their own mines.

Q On which they get a brokerage fee?

A That might be.

Q Then when it is landed here the first people that get a commission is the British Coal Corporation?

A Yes.

Q I am trying to follow the coal from the point of production to the ultimate consumer. First we may have a brokerage fee on the other side?

A Well, may I say this, Mr. Morrison? I think all the coal that we receive is produced by the Amalgamated but it is just conceivable that Amalgamated may have some working agreement between themselves and other producers whereby other producers may loan them coal at times to make up a cargo, but I don't know anything about it; I would not think so.

Q Then we land in Canada. The British Coal Corporation get a commission?

BY COMMISSIONER McLAURIN: No, they buy the coal.

BY COMMISSIONER MORRISON: You buy the coal?

A Yes.

Q And sell it at a profit?

A Try to sell it at a profit.

Q Well now, you told me this morning that just the retailers cut prices sometimes, the wholesaler not very often. The retailer was guilty of that infraction. Then it goes to the distributor?

A No, it goes to the dealer trade, sir, through the distributing agency.

Q I want to see how many people are getting a bite of this cherry before it eventually gets in the furnace. First of all we have possibly a brokerage fee in the Old Country?

A I really think we should eliminate that because I don't think it exists.

Q Then you sell it at a profit through your distributing agency?

A No sir, to the trade through our distributing agency. They get a commission.

Q And then the retail trade gets a spread as between that price and what they sell to the consumer public?

A Yes.

Q Which is approximately \$3 a ton, and that condition would apply

on practically all anthracite coming in, whether it is Welsh or American?

A On not only anthracite but other grades of coal.

BY MR. FRAWLEY: When the rates go down--sometimes there are drops in the rates--do you get the benefit of any drops in the rate after you make your season's charter party? I mean ocean freight rates.

A I don't know of any case where freight rates have broken in the season, Mr. Frawley, but if there was an advantage to be picked up in lower freight offerings it might come to us and it might stay with Amalgamated because they are selling f.a.s. but I think if there was any appreciable saving in freights we would be aware of it and I am inclined to feel that the Amalgamated would give us the benefit of the reduction.

BY COMMISSIONER MORRISON: Do you buy your coal on the long ton?

A Long ton, yes.

Q And you sell it in short tons?

A We sell it in short tons.

Q In the preparation of this statement you are going to give to Mr. Frawley would you make that notation?

A It is converted, you will see.

Q You have converted to the short ton?

A Absolutely.

BY MR. FRAWLEY: Now you are here representing a number of people, but if I had any questions to ask you of how Scotch Anthracite disposes of its coal you would rather I asked Mr. Chapman?

A Definitely. This morning I said I had been asked to present a brief on behalf of the importers but I am not accepting responsibility for any of the others, only for the British Coal Corporation.

BY COMMISSIONER MORRISON: Do you have access to the prices of the other importers?

A In time we do, yes, because circulars are sent out and we

naturally are able to locate circulars issued by the various companies.

Q And the price structure is much the same with your competitors?

A At times there is a similarity; at other times there are differences.

Q What is the basis of your price structure?

A Cost.

Q Plus?

A Plus a normal margin of profit.

Q And to what extent does the British Coal Corporation--are they the largest importers?

A In the Montreal area they have a larger tonnage than any of the others, I think. I should not say I think; I know they have the largest tonnage. We are talking now of Welsh coal. We have no Scotch coal, as you will know from that brief.

Q Of course the Scotch Anthracite Company won't have much Welsh coal?

A No, that's right. They have some but comparatively little.

BY THE CHAIRMAN: Thank you very much, Mr. Aird.

C. L. CHAPMAN Sworn. Examined by Mr. Frawley.

Q Mr. Chapman, you are the Canadian manager of Scotch Anthracite Coal Company Limited?

A Vice-president.

Q Now Mr. Aird has submitted the brief in which you joined and I only have a few questions which he didn't feel he was in a position to answer. You heard what Mr. Aird had to say about the manner in which he disposes of his coal through two exclusive wholesale distributors. What in a word is your arrangement?

A We distribute it ourselves.

Q As wholesaler and retailer?

A Both.

- Q You take it right from your dock into the consumer's cellar?
- A At times, and we sell it wholesale as well.
- Q Do you fix the price to the retail trade?
- A Yes.
- Q And you have nobody who gets something off that price because he is an exclusive agent?
- A No.
- Q You have no Import or Weaver in your set-up?
- A No.
- Q And does any other coal mined in Scotland by your principals come into Canada to other ports?
- A I think a little did come in, I think years ago. It used to come into Montreal, but very small quantity.
- Q Does any come into Halifax?
- A No, I don't think so.
- Q So that you are not in the position Mr. Aird is where he has an over-riding commission?
- A You see our principals are ourselves.
- Q And the price at which you sell your product, how does that compare with the price at which Mr. Aird sells his coal?
- A About the same, I should think.
- Q Is that because it is as good a coal, or because it is good business to sell it at the same price?
- A I think the market, sir, controls that.
- Q Do you sit down with Mr. Aird and arrive at that price?
- A No.
- Q Who is the leader in this area?
- A He has the larger tonnage.
- Q Generally the leader in the market establishes the price?
- A I would not say that at all.
- Q It is not conceivable, or perhaps it is, that you both, quite freely and independently, determine a price and you discover that it is the same price?
- A Well, it is quite a simple thing.

BY COMMISSIONER MORRISON: Two minds with but a single thought.

BY MR. FRAWLEY: How do you mean?

A Mr. Aird comes out on Monday with a price of \$14 a ton. We come out on Tuesday with the same price.

Q That is what I say, he being the market leader?

A I don't necessarily say that is it. It could be that. But he might wait for me.

Q I am not suggesting anything wrong about it. That is how the price of gasoline is fixed in Canada; the big fellows fix it and the others follow.

A I don't consult Mr. Aird in any way, shape or form.

Q And the price is just about the same?

A Just about the same.

Q Does Mr. Aird consult you?

A No sir.

BY THE CHAIRMAN: Well, I thought a moment ago he said that Mr. Aird would come into his office?

A No, I said if a dealer buys some coal for \$14 on Monday I would know that would be the wholesale price of coal. I didn't say Mr. Aird came into the office.

BY MR. FRAWLEY: I have a letter today from Mr. Forsyth suggesting perhaps some information in respect to the manner in which you and your parent company arrive at prices. That can be filed separately and you will do something about that?

A Yes sir.

BY COMMISSIONER MORRISON: On this price question, does it fluctuate during the season?

A It may go up at certain periods, an increase of 25 cents a ton at certain months during the year.

Q Of course the law of supply and demand, and whether you find on Tuesday morning from Mr. Aird's circular in your office that he had been getting \$14 a ton. You find that you sold your coal on Monday for \$13.50 and just woke up to the fact that Mr. Aird was a good enough salesman to be getting \$14.

What would happen Wednesday morning?

A I would put it up to \$14.

Q By the same token, you find that you were the good salesman and you were getting \$14 and he was only getting \$13.50.

A I would wait for that time to come.

Q By the same token you would drop down to \$13.50?

A I might.

Q On the other hand, because of the cost you would not feel disposed to say you would drop it to \$13.50?

A I wouldn't say that at all. I would like to have the circumstances put before me.

BY MR. FRAWLEY: Do you think that Scotch anthracite will move this way now?

A I have not seen any for three or four years.

Q You have had to sell some American anthracite, have you? To keep your overhead down?

A Yes.

BY COMMISSIONER MORRISON: You have been supplying the market with American?

A That's right, sir.

Q In the same amount as you did the Scotch anthracite?

A More, probably.

BY MR. FRAWLEY: Your mines, I presume, will be taken over by the Government in Britain?

A Oh, I don't know any particulars at all.

BY THE CHAIRMAN: Will you give me a little of the history of the Scotch Anthracite Coal Company? How long has it been in business?

A 1927 I think was the date.

Q And previous to that was there a supply of Scotch anthracite in this area?

A There was the tonnage of Canadian Industrial Coal Company.

Q On a commission basis from the producers?

A On some joint account arrangement, I think.

BY MR. FRAWLEY: Mr. Aird told us that he thought that the reason that anthracite coal mined in Britain could sell in this market against the very accessible Pennsylvania anthracite was because it had a better consumer acceptance. What would you say about Scotch anthracite?

A I would say the same thing, except that probably Scotch is a little better than the other.

Q Does it command a premium over Pennsylvania anthracite?

A Yes.

Q Of course you should be perfectly consistent and if your coal is better than Mr. Aird's you should be the one to set the price.

BY THE CHAIRMAN: What is the comparison between Scotch anthracite and Welsh?

A In what way, sir?

Q Well, as to its value as a fuel, how it stands up when exported?

A The value is approximately the same, the B.T.U. and volatile.

Q Approximately half a point makes an awful difference.

A It is all in the book, sir.

Q Oh, that's all right then.

BY MR. FRAWLEY: You might help me, there on page 24 of this brief what does it mean that there are two volatiles here?

A I think one is Scotch and the other Welsh.

Q Can you tell me which is which?

A I would rather look it up because you put me on a spot. I think the right hand one is the Scotch.

Exhibit 189 - Brief Submitted by Wholesale Distributors of Pennsylvania Anthracite

Exhibit 190 - Supplement to Brief Submitted by Wholesale Distributors of Pennsylvania Anthracite

C. E. MACKENZIE. Examined by Mr. Frawley.

Q You are the representative in Canada of the Glenalden Coal Company?

A D.L. & W. Coal Company of Canada.

- Q Where did I get the idea that you had something to do with the big American producer?
- A No, I represent D.L. & W.
- Q And you have nothing to do with Glenalden?
- A No sir.
- Q And D.L. & W. have nothing to do with Glenalden?
- A Well, I don't know.
- Q The note I have is that the Glenalden Coal Company of Scranton, Pa., the selling agency of which is D.L. & W., represented by Mr. MacKenzie of Montreal. Is that a correct memorandum?
- A That is correct, sir.
- Q And the Glenalden Coal Company, I understand, is the biggest producer of the four or five big Pennsylvania anthracite producers, is that correct?
- A They have that reputation.
- Q Well, I mean the tonnage is there to support it?
- A Yes.

MR. MCKENZIE proceeds to read Exhibit 189:

This brief is respectfully submitted by the following wholesale distributors of Pennsylvania anthracite:

BOON STRACHAN COAL CO. LTD. Distributor: Weston Dodson Co. Inc.	M. F. DEVENPORT Treasurer
THE CANADIAN IMPORT CO. LTD. Agents: The Hudson Coal Company	GEO. H. WHITEHEAD Sales Manager
D.L. & W. COAL CO. OF CANADA LTD.	C. E. MCKENZIE Vice-President
MONGEAU & ROBERT CIE. LIMITEE Distributor: The M.A. Hanna Company Susquehanna Collieries	R. MONGEAU President
READING ANTHRACITE CANADIAN CO. LTD.	ROBERT KARLSON Vice-President
SCOTCH ANTHRACITE COAL CO. LTD. Distributors: Lehigh Valley Coal Sales Co.	FRANK DUBE President
VIPOND-TOLHURST LIMITED Distributor: Lehigh Navigation Coal Co. Inc.	EDGAR F. TOLHURST President

THE F. P. WEAVER COAL CO. LTD.
Agents:
The Hudson Coal Company

L. F. MICKLER
President

WILLIAM CLAPHAM
Broker:
"Independent Anthracite"

WM. CLAPHAM

The object of this brief is to present facts in relation to Canadian domestic fuel requirements and their close relationship to Pennsylvania anthracite.

Anthracite is a hard, compact variety of natural coal, of high luster, differing from bituminous coal in containing only a small amount of volatile matter, in consequence of which it burns with a nearly non-luminous flame.

GEOGRAPHIC
LOCATION OF
UNITED STATES
ANTHRACITE

There is no anthracite produced in Canada. In the United States the only anthracite of any commercial importance is found in the State of Pennsylvania. These deposits lie in four major fields within an area of 3,300 square miles, less than 500 square miles of which are underlain by workable coal beds. The four major anthracite fields are known as the Northern Coal Field, the Eastern-Middle Coal Field, the Western-Middle Coal Field, and the Southern Coal Field.

AVAILABLE
SUPPLY OF
PENNSYLVANIA
ANTHRACITE

It has been conservatively estimated that sixteen billion tons of anthracite are contained in the anthracite fields in Pennsylvania. It is also conservatively estimated that at least eight billion tons of that quantity are recoverable for markets. It is estimated that reserves of American anthracite are sufficient for at least one hundred and fifty years.

PRODUCTION OF
UNITED STATES
ANTHRACITE

TOTAL PRODUCTION OF PENNSYLVANIA ANTHRACITE

(U.S. Bureau of Mines)

<u>Year</u>	<u>Net Tons</u>	<u>Year</u>	<u>Net Tons</u>
1920	89,598,249	1932	49,855,221
1921	90,473,451	1933	49,541,344
1922	54,683,022	1934	57,168,291
1923	93,339,009	1935	52,158,783
1924	87,926,862	1936	54,579,535
1925	61,817,149	1937	51,856,433
1926	84,437,450	1938	46,099,027
1927	80,095,564	1939	51,487,377
1928	75,348,669	1940	51,484,640
1929	73,828,195	1941	56,368,267
1930	69,384,837	1942	60,327,729
1931	59,645,652	1943	60,643,620
		1944	64,450,000

The production of anthracite in Pennsylvania in 1877 amounted to 25,660,316 tons, and increased to 60,643,620 tons in 1943. (U. S. Bureau of Mines.)

CHARACTERISTICS OF UNITED STATES ANTHRACITE Pennsylvania anthracite is a clean, dense, hard coal, high in fixed carbon and low in volatile matter, non-coking, containing little tar, and smoke-forming substances. Because of the physical structure of Pennsylvania anthracite and its density, the fuel does not rapidly fracture during shipment or in storage. This anthracite therefore results in a minimum of degradation.

United States anthracite is a desirable solid fuel for home heating. Besides being clean and smokeless, it is capable of giving good thermal efficiency with ordinary equipment, easy to control with long periods between firings, and requires little attention. The ash does not form troublesome clinkers at low rates of burning.

All coal except anthracite when exposed to air may result in spontaneous combustion. Spontaneous combustion of coal is caused by the absorption of oxygen.

The following table illustrates the density of Pennsylvania anthracite in regard to the volume occupied by one ton:

<u>SIZE</u>	<u>VOLUME OCCUPIED BY ONE TON</u>	<u>LBs/cu.Ft.</u>
Egg	33.9 to 38.7 cubic feet	51.6 - 58
Stove	33.7 to 39.2 " "	51 - 58
Chestnut	33.2 to 39.2 " "	51 - 60.2
Pea and Smaller	33.0 to 40.3 " "	51.6 49.6 - 60.6

PREPARATION OF UNITED STATES ANTHRACITE Elaborate equipment and machinery involving great capital expenditures are maintained at the United States anthracite collieries to clean and prepare anthracite for market. All anthracite produced for markets is thoroughly cleaned and foreign matter removed. The anthracite is also carefully sized to standard specification approved and adopted by the Anthracite Institute.

About 80% of the anthracite produced in Pennsylvania is used for domestic heating. The anthracite is therefore processed and marketed in various sizes which will be most suitable to different types, and varied sizes of burning equipment. This sizing is done to supply the consumer with fuel that will result in the greatest heating efficiency, and economy.

The following table for sizing has been approved and adopted by the Anthracite Institute.

STANDARD ANTHRACITE SPECIFICATION

Approved by Board of Directors of Anthracite Institute

	<u>Size of Mesh</u> <u>(Round)</u>	<u>Oversize</u> <u>Maximum</u>	<u>Undersize</u> <u>Max. Min.</u>	
EGG	Thro 3-1/4" to 3" Over 2-7/16"	5%	15%	7 1/2%
STOVE	Thro 2-7/16" Over 1-5/8"	7 1/2%	12 1/2%	7 1/2%
NUT	Thro 1-5/8" Over 13/16"	7 1/2%	10%	5%

	Size of Mesh (Round)	Oversize Maximum	Undersize	
			Max.	Min.
PEA	Thro 13/16" Over 9/16"	10%	15%	7½%
BUCK	Thro 9/16" Over 5/16"	10%	15%	7½%
RICE	Thro 5/16" Over 3/16"	10%	15%	7½%
BARLEY	Thro 3/16" Over 3/32"	10%	20%	10%

The fact is worth noting that producers of all other anthracites, as well as producers of coke, and bituminous coal, have more or less adopted these standards of sizing, and market fuels very similar in size, although recognized by somewhat different names.

Continual inspection is made, not only at the "breakers" where the coal is being prepared, but inspection is made of the loaded cars before the anthracite is allowed to proceed to its destination. If the size and quality of the anthracite coal does not come within the approved standards, the anthracite is returned to the "breakers" for reparation.

While burning conditions will influence the proper size of fuel to some extent, the use of the following sizes has been generally agreed upon as standard:

Egg: This is the largest size of domestic anthracite, used in fire pots having a diameter of 24" or greater.

Stove: Is generally used in fire pots not less than 16" in diameter. Is also ideal size for large cooking ranges or large Quebec heater type of stove.

Chestnut: Is suitable for any boiler or furnace having fire pot 10" to 16" deep, and up to 20" in diameter. This size will give excellent results in the base burner types of stove, kitchen ranges and hot water heaters. Chestnut size is used to very great extent in Canada in poultry brooders. No other fuel seems to be as satisfactory.

Pea: Can be used to advantage along with larger sizes of anthracite. This size is also used in magazine feed boilers, kitchen

ranges and hot water heaters.

Buckwheat: This is the smallest size that can be burned with natural drafts. Is also used in magazine feed boilers, mechanical burners and forced draft burners.

Rice: This size is used in mechanical stokers for domestic heating, also in certain types of manufacturing plants.

Barley: This size is not ordinarily used for domestic heating, but is used extensively in manufacturing plants in chain grate stokers and is economical and absolutely smokeless.

BY THE CHAIRMAN: Which one of these do they use the forced draft with?

A Buckwheat and Rice. Or you have been hearing about No. 1 Buckwheat and No. 2 Buckwheat. Originally that was known as Buckwheat and Rice. I was going to say, sir, that later on in this I give the mesh sizes of these coals. (Continues):

Pennsylvania anthracite has many uses besides domestic heating, and is most popular where other types of solid fuels evidently do not give the desired results, such as in the roasting process in malting plants, by large bakers of cakes and biscuits, and almost exclusively in poultry brooders. Pennsylvania anthracite is used by other commercial consumers besides those mentioned, where clean heat, heat free from soot and gases, is absolutely necessary.

UNITED STATES The importance of American anthracite in re-
-ANTHRACITE
spect to Canadian fuel requirements can be readily realized
-IMPORTED
INFO CANADA
because of the geographical location of the anthracite mines in Pennsylvania. American anthracite has been imported into Canada from the United States since 1868 without interruption, except during short periods of cessation in production. Statistics reporting importations of American anthracite into Canada were not kept by the Canadian Government previous to 1877.

Since 1877, importations of American anthracite into Canada have grown with the increase in Canadian population, except in those years when overseas coals found their way into

this market for a limited period. The period during which overseas anthracite came into Canada will be enlarged upon later in this brief.

We exhibit the following tables - number 1, which covers importations of American anthracite into Canada from 1877 to 1944, and table number 2, which covers importations of all anthracites into Canada from 1913 to 1944 inclusive.

TABLE NO. 1

IMPORTS OF AMERICAN ANTHRACITE

INTO CANADA

1877 - 1944 (incl.)

(Dominion Bureau of Statistics)

<u>YEAR</u>	<u>NET TONS</u>	<u>YEAR</u>	<u>NET TONS</u>
1877	420,010	1911	4,020,577
1878	406,971	1912	4,184,017
1879	416,423	1913	4,642,057
1880	516,729	1914	4,435,010
1881	572,092	1915	4,072,192
1882	638,273	1916	4,570,815
1883	754,891	1917	5,320,198
1884	868,000	1918	4,785,160
1885	910,324	1919	4,952,675
1886	995,425	1920	4,912,964
1887	1,100,165	1921	4,567,370
1888	2,138,627	1922	2,514,249
1889	1,291,705	1923	4,906,222
1890	1,201,335	1924	3,908,317
1891	1,399,067	1925	3,249,497
1892	1,479,106	1926	3,883,242
1893	1,500,550	1927	3,265,411
1894	1,530,522	1928	3,203,231
1895	1,404,342	1929	3,173,043
1896	1,574,355	1930	2,955,954
1897	1,457,295	1931	2,236,423
1898	1,460,701	1932	1,685,532
1899	1,745,460	1933	1,429,829
1900	1,654,401	1934	1,804,127
1901	1,933,283	1935	1,670,085
1902	1,652,451	1936	1,685,848
1903	1,456,713	1937	1,994,619
1904	2,275,018	1938	1,973,610
1905	2,604,137	1939	2,605,765
1906	2,200,863	1940	2,643,583
1907 (9 months)	2,014,846	1941	3,310,570
1908	3,091,159	1942	4,423,399
1909	3,059,663	1943	4,073,731
1910	3,152,851	1944	4,194,716

TABLE NO. 2

IMPORTS OF ALL ANTHRACITE
INTO CANADA
(DOMINION BUREAU OF STATISTICS)
EXPRESSED IN NET TONS

<u>YEAR</u>	<u>UNITED STATES</u>	<u>GREAT BRITAIN</u>	<u>EUROPE & ASIA</u>	<u>TOTAL</u>
1913	4,642,057			4,642,057
1914	4,435,010			4,435,010
1915	4,072,192			4,072,192
1916	4,570,815			4,570,815
1917	5,320,198			5,320,198
1918	4,785,160			4,785,160
1919	4,952,675			4,952,675
1920	4,912,964	127,513		5,040,477
1921	4,567,370	96,964		4,664,334
1922	2,514,249	179,708		2,693,957
1923	4,906,222	261,659		5,167,881
1924	3,908,317	275,277		4,183,594
1925	3,249,497	549,247		3,798,744
1926	3,883,242	272,170	87,520	4,242,932
1927	3,265,411	788,235	9,973	4,063,619
1928	3,203,231	526,467	7,635	3,737,333
1929	3,173,043	729,458	117,416	4,019,917
1930	2,955,954	996,127	304,009	4,256,090
1931	2,236,423	876,364	65,354	3,178,141
1932	1,685,532	1,399,086	53,539	3,138,157
1933	1,429,829	1,605,776	8	3,035,613
1934	1,304,127	1,643,516	89,666	3,537,309
1935	1,670,085	1,454,521	326,712	3,451,318
1936	1,685,848	1,333,602	510,590	3,530,040
1937	1,994,619	1,134,855	442,794	3,572,268
1938	1,973,610	1,199,131	541,260	3,714,001
1939	2,605,765	1,034,901	337,139	3,977,805
1940	2,643,588	1,329,181		3,972,769
1941	3,310,670	630,189		3,940,859
1942	4,422,499	379,524		4,802,023
1943	4,073,731	384,788		4,458,519
1944	4,194,716	218,511		4,413,227

BY MR. FRAWLEY: It looks like in 1940 they were bringing in from the U.K. about half what you were bringing in from the U.S.?

A Yes sir.

Q And that was roughly the situation in 1939 also?

A Yes sir.

Q But there were years there in which they brought in more than you did?

A They brought in more than we did in 1933; that is the only year though; the only year they beat us.

BY THE CHAIRMAN: Are you making any reference to the effect of the tariff somewhere around 1930, 1932, how it affected the quantities? I can see by the table, but are you making any reference to that?

A No, I am not.

SALES AND
DISTRIBUTION
OF
UNITED STATES
ANTHRACITE

Practically all of the larger producing companies of Pennsylvania Anthracite have direct connections in Canada, and distribute coal through Canadian subsidiaries or through agents appointed by them. There is keen competition among the Canadian distributors of American Anthracite. All retail dealers, large or small, in all communities, are constantly solicited by representatives of the different American Anthracite operators. All dealers (over 200 in the Montreal area) are free to choose, and buy from whom they wish. (Under normal conditions.) Retail dealers are not necessarily limited for supplies through selling agencies located in Canada, but are free to purchase their supplies directly from other Anthracite producing companies, or through selling agencies located in the United States.

A very important fact concerning the supply of American Anthracite to Canada is the short distance from the point of production to the point of consumption. This can be readily appreciated when it is realized that the Anthracite mines in Pennsylvania are only 355 miles by railroad from the Montreal area.

The movement of coal from the mines to Eastern Canada is done with quick dispatch, for the coal is received within a few days, in some cases as soon as three days, after the coal is mined.

Pennsylvania Anthracite, besides coming directly to Eastern Canada by railway, is also dispatched from the mines to Great Lake Ports, where it can be loaded into boats, and delivered in bulk shipments by water, to docks on Lake Ontario, or on the St. Lawrence River. The prompt dispatch of Pennsylvania Anthracite, and the short period of time it is in transit to Eastern Canada destinations makes it unnecessary that huge piles of this fuel be carried by importers or retail merchants.

Most importing firms have facilities to store sufficient quantities of United States Anthracite so that it is available, and for sale to the smaller type of retail merchant.

Those dealers have neither the equipment to handle Anthracite purchases in carload lots, nor have they the necessary capital to make such purchases.

At those yards, or docks, where the Pennsylvania Anthracite is stored for the smaller retail merchants, yard equipment is provided so that these dealers, drawing their purchases by truck or horse, can always be assured of clean uniformly sized fuel with quick dispatch. This method of serving the small retail coal merchant naturally reduces his capital requirements to a minimum.

The physical characteristics of American Anthracite have already been described as hard and dense, resulting in very little degradation from handling compared with other Anthracite coming into this market. The fact that United States Anthracite is of hard structure reduces to a minimum the loss through breakage and consequent rescreening by the retail merchants handling it.

F.O.B. MINE
PRICES UNDER
NORMAL
CONDITIONS

The period April 1st to March 31st is commonly referred to as the "Coal Year". Generally,

lower mine prices than those in effect during the winter months, are announced about the beginning of a new coal year. The prices are gradually increased throughout the non-burning period to similar prices at which the Anthracite sold through the previous burning season. The lower spring and summer prices were to stimulate the movement of Anthracite during a period when it is not consumed. The f.o.b. mine prices are announced by wholesalers.

It has been the usual practice to increase the spring price by about \$1.00 per ton during the spring and summer months.

The f.o.b. mine price of American Anthracite has not varied greatly during the last ten years.

A comparison of the prices of stove size, which is the most common size used for domestic heating, shows that the maximum f.o.b. mine price in 1933 was \$7.25, and the maximum f.o.b. mine price for the same size in 1942 was \$6.75 per net ton.

The following table shows the maximum and minimum f.o.b. mine prices, on Stove size, for the period 1933 to 1945.

MINE PRICES F.O.B. LOADING POINT

<u>YEAR</u>	<u>NET TON</u>	
	<u>MINIMUM</u>	<u>MAXIMUM</u>
1933	\$6.25	\$7.25
1934	6.25	7.25
1935	5.75	7.25
1936	6.25	6.75
1937	5.25	6.00
1938	5.50	6.40
1939	4.60	5.90
1940	5.75	6.25
1941	6.25	6.75
1942	6.75	6.75
1943	7.30 a	8.00 b
1944	7.85 d	8.45 c
1945	7.85	8.85 e

a - Frozen in Canada November 27, 1943.

b - November 27, 1943 (Increase made up by subsidy)

c - February 1, 1944 "

d - June 1, 1944 "

e - June 18, 1945 "

F.O.B. MINE
PRICES AND
CANADIAN
SUBSIDIES

In 1943, the opening f.o.b. mine price for Stove size Anthracite was \$7.30. This price was increased on November 27, 1943, to \$8.00 per ton, f.o.b.

mines. The \$8.00 f.o.b. mine price continued until February 1, 1944, when the price was increased to \$8.45 per net ton. This price continued in effect until June 1, 1944, when the f.o.b. mine price was reduced to \$7.85.

BY MR. FRAWLEY - At the top of page 9 (Exhibit 189) you state "f.o.b. mine prices are announced by wholesalers." These are prices f.o.b. loading point announced by Montreal wholesalers?

A. Yes, Sir.

MR. MACKENZIE continues brief.

"During the period the f.o.b. mine price was \$8.00, the Canadian Government arranged a subsidy of seventy cents per net ton, and during the period the f.o.b. mine price was \$8.45, the subsidy to wholesalers amounted to \$1.15. When the f.o.b. mine price was reduced to \$7.85, the subsidy to wholesalers was reduced to fifty-five cents per net ton."

BY MR. FRAWLEY How do the wholesalers, in 1945, the wholesalers fix the minimum of \$7.85 and the maximum of \$8.85 for Stove size coal? What does that mean?

A. The minimum was the lowest price it sold at, and the maximum the highest price.

Q. The same coal?

A. Yes.

BY THE CHAIRMAN - It varies in the season?

BY MR. FRAWLEY - The lowest price was \$7.85, and the highest price was \$8.85 in 1945, and the wholesaler before he composes those prices has received his price from the mine?

A. No, I would say he received his price from the company for whom he was acting as agent or distributor.

Q. His supplier?

A. Yes.

Q. He has first received his price from the supplier?

A. He has nothing to do with the price except announce the price that is given him by the dealer.

BY COMMISSIONER MORRISON - You are not suggesting that they vary the price as much as \$1.00 per ton during the season?

A. I am not suggesting that.

Q. The wholesalers you are talking about in this brief vary their prices at certain seasons of the year in order to encourage buying. That does not apply to producers of coal at the mine?

A. I don't know anything about the prices in the United States. All the distributor in Canada does, he is told what the price is and he passes that on.

Q. You talk to some of these producers and you will find they have not that much margin to vary their price that much.

BY MR. FRAWLEY - You say when you try to stimulate the buying of coal in the early spring you give the low price?

A. I didn't say the Canadian distributor arranges the prices to stimulate the movement.

Q. Who does that?

A. The agency for X purchaser is told what the wholesale price is.

Q. At that particular season?

A. Yes.

. And he only announces it to the trade?

A. Yes.

Q. That is all?

A. Yes.

Q. Then the price is determined in the Pennsylvania mine?

A. Certainly.

Q. And that is the price which is graded according to the market feeding, that is it is lowered at the time they think they need a stimulant to buy?

A. Yes, I think that is the natural thing to do.

Q. And that is done in Pennsylvania?

A. Yes.

Q. So when you announce \$7.85 and \$8.85, those are prices given to you by the producer in Pennsylvania?

A. Yes.

Q. How is your price determined?

A. That is our price to the trade.

Q. But your price by the mine, is that covered in the brief?

A. I don't quite get you.

Q. You don't pay \$7.85 and sell for \$7.85?

A. No, that is covered in a letter which you requested from the distributors in the United States.

Q. Then the only evidence coming to the Commission is in the confidential letters you had written to me telling me the discounts of these announced prices?

A. Yes, Sir.

BY THE CHAIRMAN - What do you mean?

BY MR. FRAWLEY - I have three letters, one from the Canadian Import Company, one from the F.P. Weaver Coal Co. Ltd., and one from Vipond-Tolhurst Ltd. in which they tell me how much is allowed them off the announced price.

Q. Are you accepting that as confidential information?

A. I have in my hands these three letters which are requested to be received confidentially, and Mr. Mackenzie is not spreading it on the record, and if the Commissioners decide it must be put on the record, then I will bring it to the attention of the distributors and some arrangement will have to be made.

MR. MACKENZIE continues brief.

"On June 18, 1945, the f.o.b. mine price was increased to \$8.85, and the subsidy increased to \$1.55.

Until the year 1931, American Anthracite entered Canada free of any customs' duty. In June 1931, a customs' duty of forty cents per net ton was levied on American Anthracite, and an excise tax of 1% on duty paid value of the coal was also levied."

BY MR. MACKENZIE - This is shown on Table No. 3. which follows, and which is:-

COSTS PENNSYLVANIA ANTHRACITE

MONTREAL, QUEBEC

MINE PRICE, LEVIES, NET COST TO DEALERS (CAR MONTREAL),
WHOLESALE PRICE YARD AND DOCKS, CASH RETAIL PRICE, AND GROSS
MARGINS -

STOVE SIZE

ALL EXPRESSED IN NET TONS.

TABLE 3

<u>Date</u>	<u>Price f.o.b. Mines</u>	<u>Rail Freight</u>	<u>Customs Duty</u>	<u>Excise Tax (on duty paid) (value of coal)</u>	<u>Emergency Freight</u>	<u>Freight Equalization Fund</u>
April 1/31	7.00	4.43	-	-	-	-
June 2/31	7.40	4.43	.40	.08	-	-
Jan. 4/32	7.00	4.43	.40	.07	.06	-
Oct. 13/32	7.25	4.43	.50	.23	.06 (to Sept. 30, 1933)	-
Sept. 30/34	7.25	4.43	.50	.23	-	-
Oct. 1/34	7.25	3.57	.50	.23	-	-
April 18/35	5.75	3.57	.50	.19	.15	-
Dec. 31/36	6.75	3.57	.50	.22	.15	-
Mar. 28/38	6.25	3.67	.50	.20	-	-
April 26/39	5.50	3.67	.50	-	-	-
Sept. 25/39	5.00	3.67	.50	-	-	.26
June 1/40	5.85	3.67	.50	-	-	.24
June 24/40	5.95	3.67	.50	-	-	.24
Sept. 16/40	6.25	3.67	.50	-	-	.24
Sept. 15/41	6.75	3.67	.50	-	-	.24
Mar. 18/42	6.75	3.67	.50	-	.06	.24
Sept. 15/42	6.75	3.67	.50	-	.06	.24
Jan. 9/43 a	7.30	3.67	.50	-	.06	.24
May 15/43	7.30	3.67	.50	-	-	.24

a - Frozen in Canada November 27, 1943.

TABLE 3 (continued)

<u>Date</u>	<u>U.S. Exchange on Mine Price & F.E.F. at 11%</u>	<u>War Exchange Tax on Mine Price at 10%</u>	<u>Cost F.O.B. Cars Montreal</u>	<u>Less Cash Discount</u>	<u>Net Cost f.o.b. Cars Montreal</u>
April 1/31	-	-	11.43	.20	11.23
June 2/31	-	-	12.31	.20	12.11
Jan. 4/32	-	-	11.96	.20	11.76
Oct. 13/32	-	-	12.47	.20	12.27
Sept. 30/34	-	-	12.41	.20	12.21
Oct. 1/34	-	-	11.55	.20	11.35
April 18/35	-	-	10.16	.20	9.96
Dec. 31/36	-	-	11.19	.20	10.99
Mar. 28/38	-	-	10.62	.17	10.45
April 26/39	-	-	9.67	.17	9.50
Sept. 25/39	.58	-	10.01	.17	9.84
June 1/40	.67	-	10.93	.17	10.76
June 24/40	.68	.66	11.70	.17	11.53
Sept. 16/40	.71	.69	12.06	.17	11.89
Sept. 15/41	.77	.75	12.68	.17	12.51
Mar. 18/42	.78	.75	12.75	.17	12.58
Sept. 15/42	.78	.75	12.75	.17	12.58
Jan. 9/43	.84	-	12.61	.17	12.44
May 15/43	.83	-	12.54	.17	b 12.37

b - No change as at August 1, 1945.

TABLE 3 (continued)

<u>Year</u>	<u>Cash Price Retail</u>	<u>Gross Margin from Carloads</u>	<u>Wholesale Price Yards and Docks</u>	<u>Cash Price Retail</u>	<u>Gross Margin from Yards & Docks</u>
April 1/31	14.75	3.52	12.00	14.75	2.75
June 2/31	14.75	2.64	12.85	14.75	1.90
Jan. 4/32	16.25	4.49	13.45	16.25	2.80
Oct. 13/32	14.75	2.48	12.95	14.75	1.80
Sept. 30/34	15.00	2.79	13.00	15.00	2.00
Oct. 1/34	15.00	3.65	12.15	15.00	2.85
April 18/35	12.75	2.79	10.68	12.75	2.07
Dec. 31/36	14.50	3.51	11.10	14.50	3.40
Mar. 28/38	14.25	3.80	11.10	14.25	3.15
April 26/39	13.75	4.25	10.50	13.75	3.25
Sept. 25/39	13.75	3.91	10.00	13.75	3.75
June 1/40	14.50	3.74	12.45	14.50	2.05
June 24/40	14.50	2.97	12.45	14.50	2.05
Sept. 16/40	15.50	3.61	12.75	15.50	2.75
Sept. 15/41	16.25	3.74	13.35	16.25	2.90
Mar. 18/42	16.25	3.67	13.35	16.25	2.90
Sept. 15/42	16.25	3.67	13.40	16.25	2.85
Jan. 9/43	16.25	3.81	13.40	16.25	2.85
May 15/43	16.25	3.88	13.40	16.25	2.85

MR. MACKENZIE continues brief.

"In October 1932, the customs' duty was increased to fifty cents per ton, and the excise tax was increased to 3%.

The customs' duty of fifty cents per ton is still in effect on importations; the 3% excise tax was removed in March, 1938.

All purchases of Pennsylvania Anthracite made by wholesalers must be paid for in United States dollars.

Therefore, the wholesaler must collect from the retailer in United States funds, or in Canadian funds plus exchange.

The fact should be especially noted that during the period January 1, 1931 to September 9, 1939, the United States Anthracite Operators accepted payment in Canadian funds, thereby absorbing the prevailing exchange, which ranged up to over 20%.

In September, 1939, the Foreign Exchange Control Board fixed a rate of 11% on Canadian funds. This rate of exchange is still in effect.

The wholesale importing company, and the retailer in turn, are also called upon to pay a Freight Equalization Fund amounting to twenty-four cents per ton.

During the period June 1940 - September 1942, the Canadian Government levied a 10% war exchange tax on the f.o.b. mine price of Pennsylvania Anthracite. This tax amounted to as much as seventy-five cents per net ton."

BY COMMISSIONER MacLAURIN - 20% would be the exchange rate.

The Canadian dollar was on a parity with American funds during the period 1931 to 1939?

A. The first part of that period was around 1%.

Q. When was the 20%?

A. I think it really went up to 22% or 23%.

BY MR. MACKENZIE - I am not giving these figures for the record.

4:30 P.M. HEARING ADJOURNED UNTIL TUESDAY, AUGUST 21st.

AT 10:00 O'CLOCK A. M.

510492

Canada. Coal, Royal Commission on
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